



# Formosa Petrochemical Corporation

## 2019 Annual Report

Notice to readers

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

Annual Report is available at: <http://www.fpcc.com.tw>

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>

Printed on May 8th, 2020

1. Name, title, contact number and e-mail address of the Company's Spokesperson and deputy spokesperson:

	Spokesperson	Deputy Spokesperson
Name	Keh-Yen Lin	Chien-Tang Tsai
Title	Executive Vice President	Assistant Vice President
Contact number	(02)2712-2211	(02)2712-2211
E-mail address	fpccpre@fpcc.com.tw	fpccpre@fpcc.com.tw

2. Address and telephone of the headquarters, branches, and factory

Company	Address	Contact number
Headquarters	No. 1-1, Taisu Industrial Park, Mailiao Township, Yunlin County 638, Taiwan (R.O.C.)	(05)681-2345
Taipei Office	4F (Rear Building)., No. 201, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	(02)2712-2211 (Ext. 140)
Mailiao Plant #1	No. 7、15, Taisu Industrial Park, Mailiao Township, Yunlin County 638, Taiwan (R.O.C.)	(05)681-2345
Mailiao Plant #2	No. 8、8-5, Taisu Industrial Park, Mailiao Township, Yunlin County 638, Taiwan (R.O.C.)	(05)681-2345
Mailiao Plant #3	No. 17、39, Taisu Industrial Park, Mailiao Township, Yunlin County 638, Taiwan (R.O.C.)	(05)681-2345

3. The agency handling shares transfer : Stock Affairs Dept., Formosa Petrochemical Corp.  
Address: 1F, 201, Dunhua North Road, Taipei  
Tel: (02)2718-9898  
Website: N/A
4. Name of the certified public accountant (CPA) who duly audited the annual financial report for the most recent fiscal year: Li-Huang Lin, Wen-Fun Fu  
Name of accounting firm: Ernst & Young Certified Public Accountants  
Address: 9F., No. 333, Sec. 1, Keelung Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)  
Website: <http://www.ey.com/taiwan>  
Tel: ( 02 ) 2757 – 8888
5. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: None.
6. Company website: <http://www.fpcc.com.tw>

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# **I. Letter to Shareholders**

## **1. Foreword**

FPCC suffers from the sluggish economy caused by the trade war in 2019. While the 1<sup>st</sup> wave of petrochemical expansions in the U.S and China have gradually come online, the oversupply of downstream chemical products contributes to the shrinking margin. To respond, FPCC strictly enforces safety management on every step of the production process. We also pursue high efficiency and low carbon manufacturing by enhancing the energy recovery rate through artificial intelligence (AI). Furthermore, with the success of high-valued development and overseas investment, FPCC will hold positive attitudes toward future operations with no doubt.

## **2. Financial Performance**

Revenue reached NT\$646 billion in 2019(-15.8% YoY). Income before tax reached NT\$44.9 billion in 2019(-39.8% YoY). EPS came in at NT\$3.86.

## **3. Operating Divisions**

### **(1)Petroleum Production Business**

To maximize profit, FPCC's refinery manipulates the production rate of each oil product instantly bases on the spread. Daily throughput of crude oil reached 480,000 barrels in 2019(-4.7% YoY). The decrease was mainly resulted from longer turnaround days compared to the prior year.

The domestic oil market remains to be the priority. FPCC is continuously raising market share and increasing customer awareness in Taiwan by building more sales channels, holding marketing events during local festivals and collaborating with taxi unions.

For foreign sales, gasoline exported at 3.2 million kiloliters (-16% YoY) and diesel exported at 9.6 million kiloliters (-3.8% YoY). Lower refining margin was affected by the shrinking spread, increasing Official Selling Price(OSP) and soaring transportation cost.

### **(2)Basic Petrochemical Materials Business**

Basic Petrochemical Materials business, deemed as the upstream plants in the vertical production chain which supply raw material to internal downstream units constantly. By utilizing economy of a scale, cost advantage along with flexible feedstock usage to achieve optimized production arrangements, FPCC enjoyed the benefits of inter-group collaboration. In 2019, the production volume for ethylene was

3.002 million MT, 2.5% lower from the previous year due to planned maintenance on Olefins Plant II, which has a greater production capacity.

With regard to the market, owing to the US-China trade war, the demand of petrochemical products decreased. The global new expansion is taking place, therefore additional new capacity leads to price drop then further resulting in profit decline compared to last year.

### **(3)Utility business**

With a total installed capacity of 2,750 MW, the primary mission of our cogeneration units is to offer a stable and sufficient power to all units within the Mailiao complex. In order to reduce carbon emission, FPCC is not only devoting to improve the efficiency of turbine generators but to proactively adopt various kinds of advanced technology against pollution control. In the year of 2019, the utility business generated 19,802 KMT of steam and 14.1 billion KWH of electricity but overall production and sales decreased due to a longer duration of planned maintenance.

## **4. Domestic and Overseas Investment**

FPCC keeps forming strategic alliances and joint ventures with renowned overseas companies towards high-valued and emerging business development. For high-valued business, a joint venture with Kraton Company in 2017, produces 40,000 MT HSBC (Hydrogenated Styrenic Block Copolymers) now enjoying great profitability.

Another joint venture project with Japan-based Idemitsu Kosan Co. Ltd, establishing a 43,800 MT annual HHCR (Hydrogenated Hydrocarbon Resin) production capacity was completed in 2019. In addition, for emerging business expansion, a joint venture with Japan-based Nikkiso Co., LTD., NKFG Corporation, was established in 2018. NKFG Corporation combines the latest UV technology to develop sterilization for home applications which are launched already.

For overseas investment, FG LA Sunshine Project located in Louisiana received an air pollution permit in January 2020. Now, the construction has started and the project progress will be managed in accordance with the construction plan. We expect this project will be convened as scheduled to successfully expand our scope of overseas business.

## **5.Environmental sustainability**

FPCC will consistently adopt AI technology to various management and improvement measures to ensure industrial safety and reduce environmental impact. FPCC also strives to achieve a multi-win situation among the environmental sustainability and economic growth through resource recycle and energy conservation.

In 2019, FPCC finished a total of 250 improvement cases regarding water-saving (4,391 tons per day), energy-saving (6,577 KWH per hour) and greenhouse gas emission reduction (180.3 KT per year). In this year, FPCC received awards from Industry Bureau, Ministry of Economic Affairs, R.O.C. for contributions toward reduction of greenhouse gas emission and water conservation. Furthermore, 100 thousand tons per year of seawater desalination is under construction. Construction permit is received in August 2019, and the trial run is expected to be finished in the first half of 2022.

Concerning with air pollution prevention and control, to comply with the IMO 2020 regulation, Mailiao port has required all the vessels either entering or departing shall be LSFO-fueled. The port also completed the construction of shore power system allowing docked vessels to stop burning gasoil, thereby reducing the sulfide emission. Besides, to further control the air pollution, FPCC brought up two improvement projects; the first is the installation of wet electrostatic precipitators to reduce the emissions of PM2.5 and meet the ultra-low emission standards. And the second is the installation of heat recycling to eliminate the white smoke from co-gen units. The above two projects are expected to be commissioned before 2021.

## **6. Operating Sales Goals**

In 2020, except for regular maintenance, our refinery and petrochemical units will be in full operation all year. And our estimated sales volume for gasoline and gasoil are 5.413 million KL and 10.361 million KL respectively. For export, FPCC proactively cooperates with oil majors and trading houses to expand our gasoline market shares in Singapore, Middle East, and Indonesia. New Zealand and Australia are also included but more incline to raise the gasoil sales.

In respect to petrochemical products, the expected sales volume of ethylene, propylene, and butadiene are 3.084 million MT, 2.475 million MT, and 379 thousand MT respectively. As for the Utility division, the key role is to provide consistent electricity and steam to meet the demand of all units in Mailiao Complex.

## **7. Outlook**

Stepping into 2020, the US and China still have been wrestling with the trade dispute. What's worse, the COVID-19 seriously hits the global economy. Overall economic conditions are unfavorable, not to mention the promotion of renewable energy, the excess supply from the new capacities, and the much stricter environmental regulations. All these factors are shaking the fundamental outlook of the petrochemical industry and these also mean that we are facing a much tougher operating environment.

Under the external challenges, FPCC, together with all employees, will devote more to improving the performance of our core business. Internally, we are trying to



expand the application of AI technology across production management so as to shorten the production and marketing cycle, optimize the processes, and finally reduce the cost. On the other hand, we also seek external opportunities to develop a successful global expansion strategy. The ongoing Sunshine Project provides the accessibility to low-cost feedstock and new sales markets. By expanding geographic business footprints, FPCC will step toward a more competitive company.

## II. Company Profile

1. Date of Incorporation: April 6, 1992
2. Business Mission & Vision:

Established in 1992, Formosa Petrochemical Corporation (FPCC) focuses its business in the production and sales of petroleum products and petrochemical raw materials. FPCC is currently the only privately-owned petroleum refining enterprise in Taiwan. FPCC's production capacity ranks first in Taiwan, with its production and sales lines spanning from petroleum products such as gasoline and diesel, and the naphtha Crackers which produce petrochemical raw materials such as ethylene, propylene, and butadiene. In addition, there are qualified combined heat and power (CHP) systems in place, which consistently supply utilities such as steam and electricity required for the operations of Formosa Plastics Group's factories located in the Mailiao Industrial Complex.

In 1994, FPCC set off the Sixth Naphtha Cracking Project in the Yunlin Offshore Industrial Park in Mailiao Township, Yunlin County. At the beginning, the construction was held back by the harsh local environment. However, this did not intimidate our staff. After all the hard work made by our employees, we have already completed Phase I to Phase IV of the Project, as well as vital market developments. In the future, FPCC will continue to carry out various improvements and innovations to further improve its business performance.

In terms of business operations, FPCC truly believes that only good management foundation can make a company immune from being crumbled by constant changes, and lead the Company to long-term sustainability. Therefore, FPCC has consistently strived for cost reduction and operational efficiency in different aspects of production, sales, manpower allocation, and resource utilization, etc., by acting on pragmatism and inquisitiveness, and paying attention to every detail. This spirit has long been internalized as an important part into our core corporate culture, and it is what keeps motivating us to progress and thrive. Additionally, we keep faith in reasonable profitability, as well as corporate social responsibility, for this is what makes sense to our persistence. Therefore, FPCC not only strives for business success, but also invests in nonprofit sectors with regard to education, medical services, and social care for the disadvantaged. The Company also continuously scales up its business to improve operational efficiency and quality, all of which will help us fulfill our corporate social responsibility as a corporate citizen.

After more than 50 years of hard work, Formosa Plastics Group has evolved into an industrial conglomerate with comprehensive business lines. It is the spirit of "Diligence, Perseverance, Frugality and Trustworthiness, To Aim at the Sovereign Good, Perpetual Business Operation, and Dedication to the Society", as always emphasized by our two co-founders, Mr. Wang Yung-Ching and Mr. Wang Yung-

Tsai, that keep motivating our organization to expand, grow, and thrive.

Our future is laid out on the vision of making FPCC a world-class company and a global leader in our industrial sector. As a global leader, FPCC will be able to strengthen its business competitiveness, and achieve the goal of long-term sustainability in corporate operations.

### 3. Milestones

April, 1992	Formosa Petrochemical was established through a joint investment of NT\$15 billion from Formosa Plastics (FPC), Nan Ya Plastics (NPC), Formosa Chemicals & Fibre (FCFC), Formosa Taffeta, and Formosa Heavy Industries.
July 1994	Construction of the Sixth Naphtha Cracking Project commenced.
April 1996	In response to the government policy of encouraging the establishment of privately-owned power plants, Formosa Plastics (FPC), along with Nan Ya Plastics (NPC), Formosa Chemicals & Fiber (FCFC) and Formosa Petrochemical Corp. (FPCC), co-invested and established Mai-Liao Power Corporation.
December 1997	Construction of co-generation plant (Utility Plant No. 1) was completed and commercial operations began.
November 1998	The five sets of CHP equipment in Utility Plant No. 1 received approval from the Bureau of Energy, Ministry of Economic Affairs in the registration of operation on November 30.
December 1998	No. 1 Naphtha Cracker officially started commission testing on December 1.
January 1999	No. 1 Naphtha Cracker obtained the factory registration certificate.
February 1999	To facilitate petroleum and chemical product transportation needs, Formosa Petrochemical Transportation Corporation and Formosa Plastics Corporation jointly invested and established Sixth Naphtha Cracker Transport Corp.
February 1999	No. 1 Naphtha Cracker (with an production output of 450,000 tons of ethylene per year) was officially put into operation.
April 1999	Formosa Petrochemical Corp. (FPCC), along with two other privately-owned companies, Ho Sen Eclectic Industrial Co. Ltd. and Mercuries & Associates Co. Ltd., co-invested and established Formosa Oil Co. Ltd.

December 1999	The first two sets of power generation system installed in No. 3 Utility Plant was completed and put into operation.
December 1999	The first batch of 1 million barrels of crude oil arrived in Mailiao Harbor, and unloading was successfully completed in the early morning of December 15, 1999.
February 2000	The first set of CHP system installed in No. 2 Utility Plant was completed and put into operation.
March 2000	Phase I refinery, with a daily crude oil capacity of 150,000 barrels, started commercial operations to produce LPG, naphtha, kerosene, diesel, and various heavy petroleum products.
September 2000	FPCC officially launched business domestically to supply gasoline and premium diesel products in petrol stations.
October 2000	No. 2 Naphtha Cracker (with an production output of 900,000 tons of ethylene per year) was offically put into operation.
June 2002	FPCC invested in Whale World Co., Ltd.
November 2002	Construction work of de-bottlenecking in No.1 Naphtha Cracker was completed, increasing the plant's yearly capacity of ethylene from 450,000 tons to 700,000 tons.
January 2003	FPCC's stock was listed as an emerging stock in the over-the-counter stock exchange market.
January 2003	Construction for the refinery of petroleum coke oxidation was completed and put into operation.
June 2003	The second set of CHP system installed in No. 2 Utility Plant was completed and put into operation.
November 2003	The Maintenance Center Flow Calibration Laboratory was certified by the Chinese National Laboratory Accreditation (CNLA).
December 2003	FPCC's equity was officially listed on Taiwan Stock Exchange for public trade.
February 2004	FPCC received license to operate all 18 gas stations of National Freeway 1 and launched its petrol supply.
June 2004	FPCC issued US\$250 million of overseas convertible bonds (ECB).
July 2004	FPCC was awarded the 2003 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
September 2004	The third set of CHP system installed in No. 2 Utility Plant was completed and put into operation.

September 2004	FPCC was awarded the 2004 Outstanding Award for Business Performance in Energy Conservation by the Ministry of Economic Affairs.
November 2004	FPCC's gasoline and diesel engine laboratory was certificated by CNLA.
December 2004	FPCC established Caltex Taiwan Corp. in a joint venture with the American Company Caltex.
August 2005	FPCC was awarded the 2004 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
November 2005	The Inspection Office of the Refining Department was certified by CNLA as a business of the Liquefied Petroleum Gas Product Category.
December 2005	No. 2 Naphtha Cracker reached a single-day ethylene output of 3,493 tons, the highest since the operation was officially launched.
March 2006	FPCC was awarded the 2005 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
March 2006	In order to develop overseas oil sources, FPCC established FPCC USA, Inc., a foreign subsidiary.
October 2006	FPCC won the 2006 Excellence Business Award for Energy Conservation in the Industrial Category, awarded by the Ministry of Economic Affairs.
March 2007	FPCC received Excellent Business Award from the Ministry of Economic Affairs in the Competition of Industrial Greenhouse Gas Voluntary Reduction.
May 2007	No. 3 Naphtha Cracker was completed and put into operation.
August 2007	FPCC was awarded the 2006 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
September 2007	The long-distance underground pipeline connecting Mailiao Industrial Complex to Taipei Port completed and began transporting petroleum product.
November 2007	FPCC established and invested in Formosa Oil Marketing Consultancy Ltd.
December 2007	FPCC won the 2007 Excellence Business Award for Water Saving in the Industrial Category, awarded by the Ministry of Economic Affairs.
January 2008	10 ppm Sulfur Gasoil was exported for the first time.

June 2008	FPCC was awarded the 2008 Excellence Business of Energy Conservation Award by the Ministry of Economic Affairs.
August 2008	FPCC re-invested in and established Formosa Dredging Corporation (BVI).
September 2008	FPCC was awarded the 2007 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
December 2008	FPCC won the 2008 Excellence Business Award for Water Saving in the Industrial Category, awarded by the Ministry of Economic Affairs.
March 2009	FPCC re-invested in and established Formosa Petrochemical Marine Company
May 2009	The average daily capacity of FPCC's refinery reached a record high of 540,000 barrels per day since its inception.
June 2009	The environmental-friendly 10 ppm Sulfur Gasoil officially launched in the market.
August 2009	FPCC was awarded the 2008 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
October 2009	The base oil plant was completed and officially put into operation.
December 2009	FPCC won the 2009 Excellence Business Award for Water Saving in the Industrial Category, awarded by the Ministry of Economic Affairs.
December 2009	FPCC won the Award of Excellent Business Unit for the Affiliation Plan from Vocational Training Bureau.
August 2010	FPCC was awarded the 2009 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
August 2010	No. 2 Naphtha Cracker was awarded the 2010 Excellence Award for Business Performance in Energy Conservation by the Ministry of Economic Affairs.
December 2010	Refining Department won the 2010 Excellence Business Award for Water Saving in the Industrial Category, awarded by the Water Resources Agency of the Ministry of Economic Affairs.
August 2011	FPCC was awarded the 2010 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
October 2011	No. 3 Naphtha Cracker was awarded the 2011 Excellence Award for Business Performance in Energy Conservation by the Ministry of Economic Affairs.

November 2011	No. 2 Naphtha Cracker was awarded third place in the competition of the 2011 Benchmark Business for Energy Integration in the Industrial Zones by the Ministry of Economic Affairs.
August 2012	FPCC was awarded the 2011 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
December 2012	No. 2 Naphtha Cracker received 2012 Excellent Business Award from the Industrial Development Bureau of the Ministry of Economic Affairs in the Competition of Industrial Greenhouse Gas Voluntary Reduction.
December 2012	No. 2 Naphtha Cracker won the 2012 Excellence Business Award for Water Saving in the Industrial Category, awarded by the Water Resources Agency of the Ministry of Economic Affairs.
January 2013	The T-5060/T-5061 storage tank foundation project of the Isoprene Plant won the third place in the 2012 Excellent Site Evaluation held by the Environmental Protection Bureau, Yunlin County.
March 2013	Formosa Plastics Chemical Co., Ltd. was established as a joint venture between FPCC and Kraton Performance Polymers, Inc.
July 2013	Formosa Falkor Engineering Corporation was established as a joint venture between FPCC and Taiwan Falkor Engineering Services.
August 2013	FPCC was awarded the 2012 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
November 2013	No. 3 Naphtha Cracker received Excellent Business Award from the Industrial Development Bureau of the Ministry of Economic Affairs in the Competition of Industrial Greenhouse Gas Voluntary Reduction in 2013.
December 2013	No. 3 Naphtha Cracker was selected to be the 2013 Excellence Business of Energy Conservation Award of the Industrial Category, awarded by the Water Resources Agency of the Ministry of Economic Affairs.
July 2014	FPCC was awarded the 2013 Golden Trade Award for the Best Trading Contribution by the Ministry of Economic Affairs.
November 2014	The operation of the Isoprene Plant in the Olefin Department officially commenced.

November 2014	No. 2 Naphtha Cracker was selected to be the 2014 Excellence Business for Energy Conservation of the Industrial Group by the Ministry of Economic Affairs.
December 2014	Refining Department was selected to be the 2014 Excellence Business of Energy Conservation Award of the Industrial Category, by the Water Resources Agency of the Ministry of Economic Affairs.
July 2015	FPCC was awarded the 2014 Golden Trade Award for the Best Exporters and Importers by the Ministry of Economic Affairs.
November 2015	No. 2 and No. 3 Naphtha Crackers received the 2015 Excellent Business Award from the Industrial Development Bureau of the Ministry of Economic Affairs in the Competition of Industrial Greenhouse Gas Voluntary Reduction.
January 2016	Idemitsu Formosa Specialty Chemicals Corporation was established as a joint venture between FPCC and Idemitsu Kosan Co., Ltd.
April 2016	No.2 Olefins Cracker was selected to be the 2016 Excellence Business of Energy Conservation Award of the Industrial Category, awarded by the Ministry of Economic Affairs.
July 2016	FPCC was awarded the 2015 Golden Trade Award for the Best Trading Contribution by the Ministry of Economic Affairs.
November 2016	Refining Department was selected to be the 2016 Excellence Business for Energy Conservation of the Industrial Group by the Ministry of Economic Affairs.
April 2017	FPCC re-invested in and established FG INC and FG LA LLC in the US.
November 2017	No. 2 Olefins Cracker received the 2017 Excellent Business Award from the Industrial Development Bureau of the Ministry of Economic Affairs in the Competition of Industrial Greenhouse Gas Voluntary Reduction.
November 2017	FPCC won the Award of Top 50 Business Sustainability Report the Taiwan Institute for Sustainable Energy.
February 2018	The operation of the joint venture – Kraton Formosa Polymers Corporation.
July 2018	FPCC re-invested in and established NKFG.
November 2018	Refining Department was selected to be the 2018 Excellence Business for Energy Conservation of the Industrial Group by the Ministry of Economic Affairs.

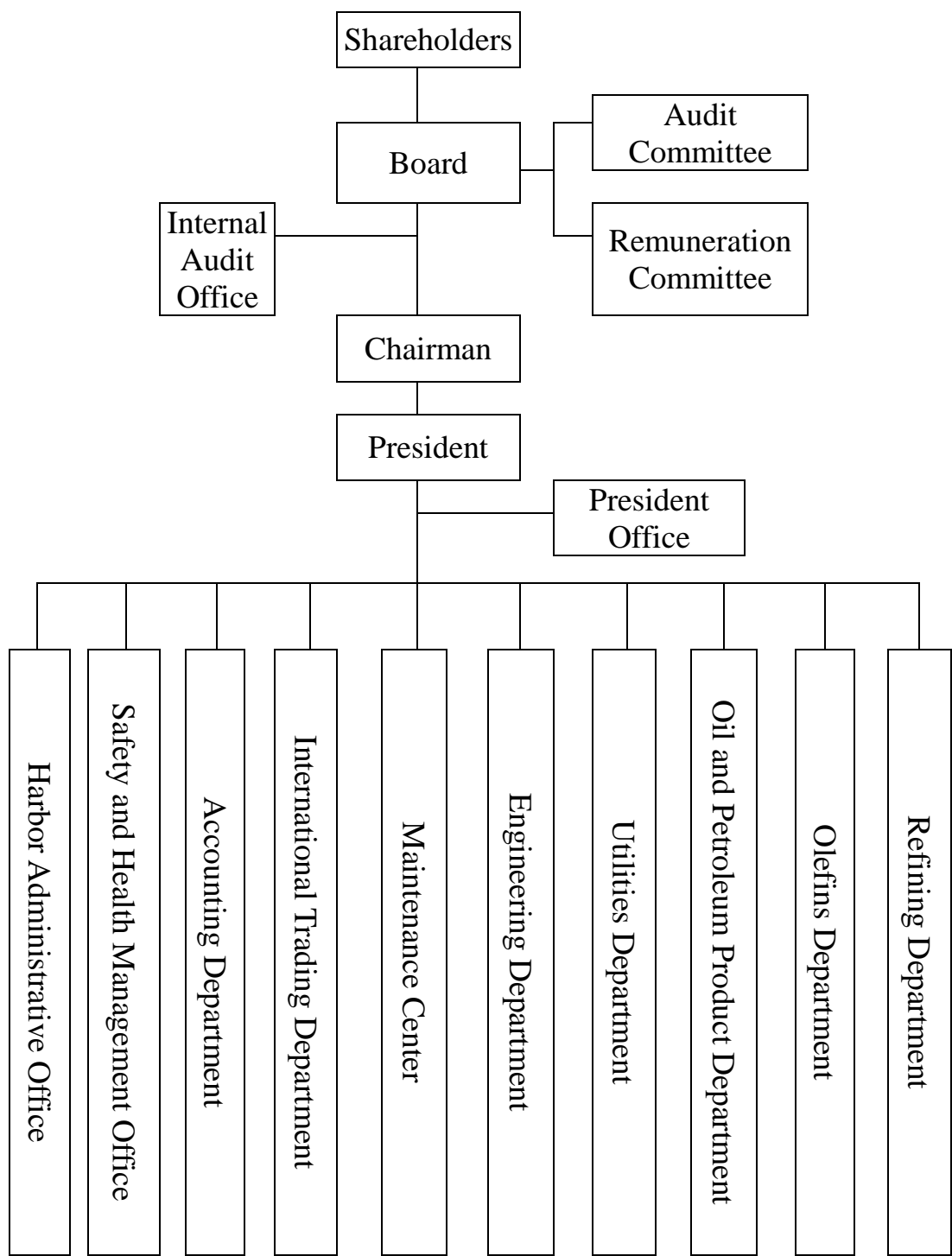


- November 2019 No.1 Olefins Cracker was selected to be the 2016 Excellence Business of Energy Conservation Award of the Industrial Category, awarded by the Ministry of Economic Affairs.
- November 2019 No.1 Olefins Cracker was selected to be the 2019 Excellence Business for Energy Conservation of the Industrial Group by the Ministry of Economic Affairs.
- December 2019 Refining Department received the Silver Award of 2019 Energy Conservation Benchmark by the Ministry of Economic Affairs.

III. Corporate Governance

1. Organization

1.1 Organization Structure



## 1.2 Major Department Functions

Department	Main Business
Refining Department	Refinement of oil products such as naphtha, gasoline and diesel
Olefins Department	Production and sales of petrochemical raw materials such as ethylene and propylene
Oil and Petroleum Product Department	Domestic sales of oil products and oil storage business
Utilities Department	Production and sales of utilities such as water, electricity and steam
Engineering Department	Engineering and planning; design and construction
Maintenance Center	Equipment repairing and maintenance
International Trading Department	Oil products export business
Accounting Department	Bookkeeping, cost control, taxation, and preparation of operational reports
Safety and Health Management Office	Responsible for industrial safety and health-related business
Harbor Administrative Office	Loading and unloading of import and export of goods in the Mailiao Industrial Harbor

2 Directors and Management Team  
2.1 Directors

2020.03.31

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Director's Current Position at FPCC and Other Companies	Executives or Directors who are Spouses or within Two Degrees of Kinship		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Chairman	R.O.C.	Fomosa Plastics Corp.	-	2018.06.14	3	1992.03.31	2,742,549,010	29.31	2,720,549,010	28.55	-	-	-	-	-	-	None	None	None
	R.O.C.	Representative: Bao-Lang Chen	Male	2018.06.14	3	2011.09.15	0	0.00	0	0.00	0	0	0	0	BA of Chemical Engineering, National Cheung Kung University	Chairman of Mailiao Harbor Administration Corp. and Mailiao Power Corp.	None	None	None
Managing Director	R.O.C.	Fomosa Chemicals & Fibre Corp.	-	2018.06.14	3	2006.06.09	2,300,799,801	24.15	2,300,799,801	24.15	-	-	-	-	-	-	None	None	None
	R.O.C.	Representative: Wen-Yuan Wong	Male	2018.06.14	3	2009.06.04	2,431,850	0.03	2,431,850	0.03	4,513,614	0.05	0	0	Master of Industrial Engineering, University of Houston	Chairman of Chinese National Federation of Industries, Formosa Chemicals & Fibre Corp., Formosa Taffeta Co., Formosa Advanced Technologies Co., Managing Director of Formosa Plastics Corp., Nan Ya Plastics Corp.	Managing Director	Wilfred Wang	Brother
Managing Director	R.O.C.	Fomosa Plastics Corp.	-	2018.06.14	3	1992.03.31	2,742,549,010	29.31	2,720,549,010	28.55	-	-	-	-	-	-	None	None	None
	R.O.C.	Representative: Susan Wang	Female	2018.06.14	3	95.06.09	399,235	0.00	399,235	0.00	0	0	0	0	Barnard College, U.S.	Managing Director of Formosa Plastics Corp., Vice Chairman of FPG Executive Board Chairman of Formosa Environmental Technology Corp.	Director	Walter Wang	Siblings

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Director's Current Position at FPCC and Other Companies	Executives or Directors who are Spouses or within Two Degrees of Kinship		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Managing Director	R.O.C.	Nan Ya Plastics Corp.	-	2018.06.14	3	2006.06.09	2,201,306,014	23.11	2,201,306,014	23.10	-	-	-	-	-	-	None	None	None
	R.O.C.	Representative: Wilfred Wang	Male	2018.06.14	3	1999.04.28	492,555	0.01	492,555	0.01	2,300,000	0.02	0	0	BA of Mechanical Engineering, University of London	Chairman of Formosa Plastics Marine Corp. and Nan Ya Photonics Inc., Managing Director of Formosa Plastics Corp., and Nan Ya Plastics Corp. and Chemicals & Fibre Corp.	Managing Director	Wen- Yuan Wong	Brother
Managing /Independent Director	R.O.C.	C.P.Chang	Male	2018.06.14	3	2003.12.18	0	0.00	0	0.00	0	0	0	0	Master of Laws, National Chengchi University	CEO of Cross-strait Peaceful Development Foundation, Independent Director of Powerchip Technology Corp., SILITECH Technology Corp., and Inventec Corp.	None	None	None
Independent Director	R.O.C.	Yu Cheng	Male	2018.06.14	3	2009.06.04	0	0.00	0	0.00	0	0	0	0	Master of Business Administration, National Chengchi University	Independent Director of Formosa Taffeta Corp., Formosa Advanced Technologies Corp.	None	None	None
Independent Director	R.O.C.	Sush-Der Lee	Male	2018.06.14	3	2018.6.14	0	0.00	0	0.00	0	0	0	0	Master of Business Administration, Minnesota State University, Mankato	None	None	None	None
Director	R.O.C.	Walter Wang	Male	2018.06.14	3	2009.06.04	0	0.00	0	0.00	0	0	0	0	University of California, Berkeley	J-M Manufacturing Co., Inc. President and CEO	Managing Director	Susan Wang	Siblings

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Director's Current Position at FPCC and Other Companies	Executives or Directors who are Spouses or within Two Degrees of Kinship		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Director	R.O.C.	Nan Ya Plastics Corp.	-	2018.06.14	3	2006.06.09	2,201,306,014	23.11	2,201,306,014	23.10	-	-	-	-	-	-	None	None	None
	R.O.C.	Representative: Mihm Tsao	Male	2018.06.14	3	2012.06.14	0	0.00	0	0.00	0	0	0	0	EMBA from National Sun Yat-sen University	President of Formosa Petrochemical Corp. and Malliao Power Corp., Director representative of KFPC, Chairman of IFSC and Formosa Oil Corp.	None	None	None
Director	R.O.C.	Keh-Yen Lin	Male	2018.06.14	3	2006.06.09	53,768	0.00	53,768	0.00	10,629	0	0	0	BA of Chemical and Materials Engineering, Tunghai University.	Executive Vice President of Formosa Petrochemical Corp.; Director of Formosa Oil Corp., Whale Home International Corp., Formosa Petrochemical Transportation Corp. and NKFG; Supervisor of Nan Ya Photonics Inc.	None	None	None
	R.O.C.	Jui-Shih Chen	Male	2018.06.14	3	2009.06.04	10,649	0.00	10,649	0.00	0	0	0	0	BA of Chemical Engineering, National Taiwan University	Senior Vice President of Formosa Petrochemical Corp.; Director of Formosa Petrochemical Transportation Corp.; Director representative of KFPC	None	None	None
Director	R.O.C.	Ling-Shen Ma	Male	2018.06.14	3	2015.06.15	0	0.00	0	0.00	0	0	0	0	BA of Electrical Engineering, National Cheung Kung University	None	None	None	None
	R.O.C.	Te-Hsiung Hsu	Male	2018.06.14	3	2018.06.14	1,243	0.00	1,243	0.00	6,000	0	0	0	Master of Chemical Engineering, National Tsing Hua University	Vice President of Formosa Petrochemical Corp.; Director of Formosa Oil Corp., Whale Home International Corp. and Formosa Petrochemical Transportation	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Director's Current Position at FPCC and Other Companies	Executives or Directors who are Spouses or within Two Degrees of Kinship		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
																Corp., Caltex Taiwan Corp. and FPCC Marine Corp.			
Director	R.O.C.	Song-Yueh Tsay	Male	2018.06.14	3	2018.06.14	0	0.00	0	0.00	0	0	0	0	BA of Chemical Engineering, National Central University	Vice President of Formosa Petrochemical Corp.	None	None	None
Director	R.O.C.	Wen-Yu Cheng	Male	2018.06.14	3	2018.06.14	1,659	0.00	1,659	0.00	0	0	0	0	BA of Chemical Engineering, National Cheng Kung University	Vice President of Formosa Petrochemical Corp.; Director of IFSC	None	None	None

## 2.2 Major shareholders of the institutional shareholders (Table 1)

2020.04.14

Name of Institutional Shareholders (Note 1)	Major Shareholders (Shareholding ratio) (Note 2)	
Formosa Plastics Corp.	Chang Gung Medical Foundation	9.44%
	Formosa Chemicals & Fibre Corp.	7.65%
	Standard Chartered Merchant Bank Hosted Credit Suisse Singapore Branch	6.26%
	Nan Ya Plastics Corp.	4.63%
	Chindwell International Investment Corp.	4.16%
	Vanson International Investment Co.,LTD.	3.05%
	Formosa Petrochemical Corp.	2.07%
	Government of Singapore	1.46%
	Ming Chi University of Technology	1.43%
	Nan Shan Life Insurance Co., Ltd.	1.40%
Nan Ya Plastics Corp.	Chang Gung Medical Foundation	11.05%
	Formosa Plastics Corp.	9.88%
	Formosa Chemicals & Fibre Corp.	5.21%
	Chang Gung University	4.00%
	Vanson International Investment Co.,LTD.	2.39%
	Formosa Petrochemical Corp.	2.26%
	Chindwell International Investment Corp.	1.86%
	LGT Bank (Singapore) Ltd.	1.56%
	Citibank Taiwan in custody for Macro system Corp.	1.38%
	JPMorgan Chase Bank N.A, Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.25%
Formosa Chemicals & Fibre Corp.	Chang Gung Medical Foundation	18.58%
	Chindwell International Investment Corp.	6.35%
	Vanson International Investment Co.,LTD.	3.80%
	Formosa Plastics Corp.	3.39%
	Nan Ya Plastics Corp.	2.40%
	Wen-Yuan Wong	2.20%
	Consolidated Power Development Corp.	1.63%
	Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc.	1.47%
	HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	1.35%
	Bank of Taiwan in Custody for Wang Chang-Gung Charitable Trust Fund	1.21%



Chang Gung Medical Foundation	Nan Ya Plastics Corp.	19.76%
	Formosa Chemicals & Fibre Corp.	15.21%
	Formosa Plastics Corp.	14.60%
	Wang Yung-Tsai	12.35%
	Wang Yung-Ching	8.08%

Note 1: If any Directors and Supervisors act as representative of an institutional shareholder, indicate the name of the institutional shareholder.

Note 2: Indicate the name of major institutional shareholders (top 10 in shareholding) and the shareholding percentage. If any of its major shareholders is an institutional shareholder, the following Table 2 shall be filled out.

Note3: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

Note4: Ratio of the contribution or donation is calculated by the cumulative amount of donations over the years and the amount of donated stocks is calculated based on the face value.

## 2.3 Major shareholders of the Company's major institutional shareholders in Table 1 (Table 2)

2020.04.14

Name of Institutional Shareholders (Note 1)	Major Shareholders (Note 2)	
Standard Chartered Merchant Bank Hosted Credit Suisse Singapore Branch	Investment Account	
Chindwell International Investment Corp.	Everred Corporate, Inc.	100%
Vanson International Investment Co.,LTD.	Landmark Capital Holdings Inc.	100%
Nanshan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd.	60.01%
	Ruen Chen Investment Holding Co., Ltd.	29.54%
	Y. T. Du	2.90%
	RUEN TAI SHING Co., Ltd.	0.30%
	RUEN HUA DYEING & WEAVING Co., Ltd.	0.27%
	RUENTEX DEVELOPMENT Co., Ltd.	0.23%
	RUENTEX INDUSTRIES Ltd.	0.21%
	Taishin International Bank Trust Account of Nan Shan Life Insurance Co., Ltd.	0.21%

	Yen Sin Corporation	0.16%
	Ruentex Leasing Co., Ltd.	0.13%
JPMorgan Chase Bank N.A, Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	Investment Account	
Ming Chi University of Technology	Wang Yung-Ching	43.26%
	Wang Yung-Tsai	38.84%
	Nan Ya Plastics Corp.	5.09%
	Chindwell International Investment Corp.	3.74%
	Formosa Chemicals & Fibre Corp.	1.66%
Chang Gung University	Chang Gung Medical Foundation	57.17%
	Wang Yung-Ching	13.21%
	Chindwell International Investment Corp.	3.91%
	Nan Ya Plastics Corp.	2.54%
	Formosa Plastics Corp.	2.24%
LGT Bank (Singapore) Ltd.	Investment Account	
Citibank Taiwan in custody for Macro system Corp.	Investment Account	
Government of Singapore	Investment Account	
Consolidated Power Development Corp.	Chengcom Corp.	100%
Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc.	Investment Account	
HSBC Bank (Taiwan) Limited In Custody for Consolidated Power Development Corp.	Investment Account	
Bank of Taiwan in Custody for Wang Chang-Gung Charitable Trust Fund	Trust Fund Account	

Note 1: If any major shareholder listed in Table 1 is an institutional shareholder, indicate the institutional shareholder's name.

Note 2: Indicate the name of the major shareholder of the said institutional shareholder (top 10 in shareholding) and the shareholding percentage.

Note3: If the institutional shareholder is not a company, the names and shareholding ratio of shareholders to be disclosed are the names of people who contributed or donated the capital and the ratio of their contribution or donation.

Note4: Ratio of the contribution or donation is calculated by the cumulative amount of donations over the years and the amount of donated stocks is calculated based on the face value.

## 2.4 Directors' Professional Qualifications and Independent Analysis

Name	Criteria	Meet one of the following professional qualification requirements, together with at least five years work experience			Independence Criteria (Note 1)												Number of other public companies' in which the individual is concurrently serving as an Independent Director
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	A	B	C	D	E	F	G	H	I	J	K	L	
Formosa Plastics Corp. Rep.: Bao-Lang Chen				✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Formosa Chemicals & Fibre Corp. Rep.: Wen-Yuan Wong				✓	✓					✓		✓	✓		✓		0
Formosa Plastics Corp. Rep.: Susan Wang				✓	✓		✓			✓		✓	✓		✓		0
Nan Ya Plastics Corp. Rep.: Welfred Wang				✓	✓					✓		✓	✓		✓		0
C.P Chang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Yu Cheng				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Sush-der Lee				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Walter Wang				✓	✓		✓			✓	✓	✓	✓		✓	✓	0
Nan Ya Plastics Corp. Rep.: Mihn Tsao				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Keh-Yen Lin				✓			✓	✓	✓	✓		✓	✓	✓	✓	✓	0
Jui-Shih Chen				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ling-Shen Ma				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Te-Hsiung Hsu				✓			✓	✓	✓	✓		✓	✓	✓	✓	✓	0
Song-Yueh Tsay				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wen-Yu Cheng				✓			✓	✓	✓	✓		✓	✓	✓	✓	✓	0

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as

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

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
6. Not when a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
7. Not when the chairman, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
8. Not a director (or governor), supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (this restriction does not apply to any specified company or institution that holds more than 20% but below 50% of the Company's total issued shares, as well as independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
9. Not a professional individual who, or an owner, partner, director (or governor), supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

## 2.5 Management Team

2020.03.31

Title	Nationality	Name	Gender	Date Effective (Note2)	Shareholding (Note1)		Director's Spouse & Minor shareholding		Shareholding by Nominee Arrangement		Experience (Education )	Current Positions at Other Companies	Managers who are Spouses or Within Two degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Mihn Tsao	Male	2011.11.09	0	—	0	—	0	—	EMBA from National Sun Yat-san University	Director representative of KFPC, Chairman of IFSC, President of Mailiao Power Corp.	None	None	None
Executive Vice President	R.O.C	Keh-Yen Lin	Male	2014.03.11	53,768	0	10,629	0	0	—	BA of Chemical and Materials Engineering, Tunghai University.	Director of Formosa Oil Corp., Whale Home International Corp., Formosa Petrochemical Transportation Corp. and NKFG; Supervisor of Nan Ya Photonics Inc.	None	None	None
Senior Vice President	R.O.C	Jui-Shih Chen	Male	2013.04.17	10,649	0	0	—	0	—	BA of Chemical Engineering, National Taiwan University	Director of Formosa Petrochemical Transportation Corp.; Director representative of KFPC	None	None	None
Senior Vice President	R.O.C	Chun-Tien Pan	Male	2019.05.31	0	—	0	—	0	—	BA of Electrical Engineering, Feng Chia University	None	None	None	None
Vice President	R.O.C	Song-Yueh Tsay	Male	2014.11.06	0	—	0	—	0	—	BA of Chemical Engineering, National Cheng Kung University	None	None	None	None
Vice President	R.O.C	Wen-Yu Cheng	Male	2014.11.06	1,659	0	0	—	0	—	BA of Chemical Engineering, National Cheng Kung University	Director of IFSC	None	None	None
Vice President	R.O.C	Te-Hsiung Hsu	Male	2014.11.06	1,243	0	6,000	0	0	—	Master of Chemical Engineering, National Tsing Hua University	Director of Formosa Oil Corp., Whale Home International Corp. and Formosa Petrochemical Transportation Corp., Caltex Taiwan Corp. and FPCC Marine	None	None	None

Title	Nationality	Name	Gender	Date Effective (Note2)	Shareholding (Note1)		Director's Spouse & Minor shareholding		Shareholding by Nominee Arrangement		Experience (Education )	Current Positions at Other Companies	Managers who are Spouses or Within Two degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	R.O.C	Yu-Lang Chien	Male	2018.08.06	2,583	0	0	—	0	—	BA of Mechanical Engineering, National Cheng Kung University	None	None	None	None
Finance Officer	R.O.C	Chien-Tang Tsai	Male	2015.03.19	2,064	0	0	—	0	—	BA of Industrial Engineering, Tunghai University.	Director of FPCC Marine Corp.; Supervisor of IFSC, Whale Hone International Corp., Caltex Taiwan Corp., NKFG and Simosa Oil CO., LTD.	None	None	None
Accounting Officer	R.O.C	Tsung-Lin Chen	Male	2015.05.05	0	—	0	—	0	—	BA of Accounting, Chinese Culture University.	Accounting Officer of Mailiao Power Corp.	None	None	None
Auditing Officer	R.O.C	Fu-Jen Ho	Male	2000.12.15	2,814	0	0	—	0	—	BA of Business Administration, Fu Jen Catholic University.	Supervisor of Mailiao Harbor Administration Corp., Mailiao Power Corp., Formosa Petrochemical Transportation Corp., Formosa Plastics Marine Corp. and Formosa Oil Corp.	None	None	None

Note 1 : Since each member of management team's shareholding ratio is less than 0.01%, therefore, it is only indicated by 0.

Note 2 : Date effective is the date that the board of directors appoints as a manager.

Note 3 : The abovementioned main disclosures are for the manager those who manage FPCC affairs and also have the right of signatures.

Note 4 : Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (E.g. : Increase the number of independent directors and a majority of the directors may not serve concurrently as an employee or managerial officer).

### 3. Remuneration of Directors (including Independent Director), Supervisor, President, and Vice Presidents

#### 3.1 Remuneration of Directors (including Independent Director)

##### a. Summary Disclosure

Unit: NT\$ thousands

Title	Name (Note 1)	Director's Remuneration				Total Remuneration (A+B+C+D) as a % of 2018 Net Income (Note 10)	Compensation Received by a Director who is an employee of FPCC or of FPCC's consolidated subsidiaries				Total Compensation (A+B+C+D+E+F+G) as a % of 2018Net Income (Note 10)		Compensation Paid to Directors from an Invested Company other than NTC's Subsidiary (Note 11)
		Base Compensation (A)(Note 2)	Severance Pay and Pensions (B)	Directors Compensation (C)(Note 3)			Allowances (D)(Note 4)	Salaries, Bonuses and Allowances (E)(Note 5)	Severance Pay and Pensions and (F)	Employee Compensation (G)(Note 6)			
				From FPCC	Companies in the consolidated financial statements (Note 7)					From FPCC	Companies in the consolidated financial statements (Note 7)		
												Cash	
Chairman	Fomosa Plastics Corp.												
	Bao-Lang Chen												
Managing Director	Fomosa Chemicals & Fibre Corp.												
	Wen-Yuan Wong												
Managing Director	Fomosa Plastics Corp.												
	Susan Wang												
Managing Director	Nan Ya Plastics Corp.												
	Welfred Wang	21,656	0	0	0	590	590	70,630	667	57	0	0.25%	29,601
Director	Walter Wang												
Director	Nan Ya Plastics Corp.												
	Mihm Tsao												
Director	Keh-Yen Lin												
Director	Jui-Shih Chen												
Director	Ling-Shen Ma												
Director	Te-Hsiung Hsu												
Director	Song-Yueh Tsay												
Director	Wen-Yu Cheng												





b. Spacing Disclosure

Range of Remuneration	Name of Directors			
	Total of Remuneration (A+B+C+D)		Total of Remuneration (A+B+C+D+E+F+G)	
	From FPCC(Note 8)	Companies in the consolidated financial statements (H)(Note 9)	From FPCC(Note 8)	Companies in the consolidated financial statements (I) (Note 9)
Under NT\$ 1,000,000	Wen-Yuan Wong, Susan Wang, Welfred Wang, Walter Wang, Mihn Tsao, Keh-Yen Lin, Jui-Shih Chen, Ling-Shen Ma, Te-Hsiung Hsu, Song-Yueh Tsay, Wen-Yu Cheng	Wen-Yuan Wong, Susan Wang, Welfred Wang, Walter Wang, Mihn Tsao, Keh-Yen Lin, Jui-Shih Chen, Ling-Shen Ma, Te-Hsiung Hsu, Song-Yueh Tsay, Wen-Yu Cheng	Wen-Yuan Wong, Susan Wang, Walter Wang	Walter Wang
NT\$ 1,000,000 ~ NT\$1,999,999	C.P Chang, Yu Cheng, Sush-der Lee, Formosa Plastics Corp, Nan Ya Plastics Corp., Formosa Chemical & Fibre Corp.	C.P Chang, Yu Cheng, Sush-der Lee, Formosa Plastics Corp, Nan Ya Plastics Corp., Formosa Chemical & Fibre Corp.	C.P Chang, Yu Cheng, Sush-der Lee, Formosa Plastics Corp, Nan Ya Plastics Corp., Formosa Chemical & Fibre Corp.	C.P Chang, Yu Cheng, Sush-der Lee, Formosa Plastics Corp, Nan Ya Plastics Corp., Formosa Chemical & Fibre Corp.
NT\$ 2,000,000 ~ NT\$ 3,499,999	—	—	—	—
NT\$ 3,500,000 ~ NT\$ 4,999,999	—	—	—	—
NT\$ 5,000,000 ~ NT\$ 9,999,999	—	—	Te-Hsiung Hsu, Song-Yueh Tsay, Wen-Yu Cheng, Jui-Shih Chen, Ling-Shen Ma	Susan Wang, Te-Hsiung Hsu, Song-Yueh Tsay, Wen-Yu Cheng, Jui-Shih Chen, Ling-Shen Ma
NT\$10,000,000 ~ NT\$ 14,999,999	—	—	Mihn Tsao, Keh-Yen Lin	Mihn Tsao, Keh-Yen Lin
NT\$15,000,000 ~ NT\$ 29,999,999	Bao-Lang Chen	Bao-Lang Chen	Bao-Lang Chen, Welfred Wang	Bao-Lang Chen, Wen-Yuan Wong, Welfred Wang
NT\$30,000,000 ~ NT\$ 49,999,999	—	—	—	—
NT\$50,000,000 ~ NT\$ 99,999,999	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	18	18	18	18

Note 1: The names of Directors shall be listed separately (for institutional shareholders, disclose both the institutional representative's name and the institutional shareholder's name separately), but compensation may be disclosed in aggregate amounts. If a Director also serves as the President or Vice Presidents, indicate the fact in this table and the following table.

Note 2: Compensation paid to Directors in the most recent year (including salaries, job remuneration, severance, bonuses, and incentives).

Note 3: Compensation paid to Directors in the most recent year approved by the Board of Directors.

Note 4: Business expenses paid to Directors in the most recent year (including transportation expenses, special allowances, various allowances, accommodation, vehicles, and other provision of physical goods and services). If housing, vehicle and other means of transportation, or personal expense is paid, the nature

and cost of the asset provided should be disclosed, the rental calculated based on actual cost or fair market value, fuel, and other payments. If a driver is provided, please disclose in note the remuneration paid to such a driver. However, such payment shall not be included in compensation.

Note 5: Including salary, job-related remuneration, severance pay, various bonuses, incentives, transportation allowance, special allowance, various allowances, and physical goods provision such as accommodation and vehicles received by Directors in the most recent year who concurrently serve as employee (including President, Vice Presidents, other managerial officers and employees). If housing, vehicle and other means of transportation, or personal expense is paid, the nature and cost of the asset provided should be disclosed, the rental calculated based on actual cost or fair market value, fuel, and other payments. If a driver is provided, please disclose in note the remuneration paid to such a driver. However, such payment shall not be included in compensation. In addition, any salary expenses recognized under IFRS 2 "Share-Based Payment," including issuance of employee stock options, new restricted employee shares, and cash capital increase by stock subscription, shall be included in the compensation.

Note 6: Disclose the employees' compensation (including shares and cash) approved by the Board meeting in the most recent year received by Directors who were entitled to the compensation due to their positions in the company as employees (including President, Vice Presidents, other managerial officers, and employees). If it is not possible to provide such estimate, the actual proportional amount distributed prior year shall be used in the computation of the amount to be proposed this year.

Note 7: Disclose the aggregate amount of various compensation items paid to the Company's Directors by all the companies listed in the consolidated financial statement (including the Company).

Note 8: The aggregate compensation amount paid to an individual Director by the Company shall be disclosed in the corresponding compensation range with the Director's name.

Note 9: The aggregate amount of various compensation items paid to an individual Director of the Company by all the companies (including the Company) listed in the consolidated financial statement shall be disclosed in the corresponding compensation range with the Director's name.

Note 10: Net profit after tax refers to the amount accrued in the most recent fiscal year. For companies who have adopted the International Financial Reporting Standards, net profit after tax refers to the amount listed in the parent company only or the consolidated financial statements accrued in the most recent fiscal year.

Note 11: a. The amount of compensation received from invested companies other than a subsidiary by the Company's Directors shall be indicated clearly in this column.

b. If a Director has received compensation from any investee companies other than a subsidiary, the amount of compensation received from the said investee companies other than a subsidiary shall be included into Column I of the Compensation Ranges Table; the column shall be renamed as "All Investee Companies".

c. Compensation refers to incentives, remunerations (including compensation for employees, Directors and Supervisors) and allowances for professional practices received by the Company's Directors from invested companies other than a subsidiary for their tenure as an employee in the investees.

\* The content of compensation disclosed in this Table is derived from a concept different from the concept of "income" stipulated in the Income Tax Act. The purpose of the table is for information disclosure, not for taxation.

### 3.2 Compensation for Supervisors

The Audit Committee has been set up within the Company with effect from June 15th, 2015 in replacement of the Supervisory function. Currently, the Company has no Supervisors.

### 3.3 Remuneration of President and Vice Presidents

#### a. Summary Disclosure

Unit: NT\$ thousands

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Total compensation (A+B+C+D) as a % of 2018 net income (Note 8)		Compensation Paid to Directors from an Invested Company other than FPCC's Subsidiary (Note 9)
		From FPCC	Companies in the consolidated financial statements (Note 5)	From FPCC	Companies in the consolidated financial statements (Note 5)	From FPCC	Companies in the consolidated financial statements (Note 5)		From FPCC	Companies in the consolidated financial statements (Note 5)				
							Cash	Stock			Cash	Stock		
President	Mihn Tsao	21,198	21,198	827	827	45,855	45,855	55	0	55	0	0.18%	0.18%	None
Executive Vice President	Keh-Yen Lin													
Senior Vice President	Han-Ting Chen													
Senior Vice President	Jui-Shih Chen													
Senior Vice President	Chun-Tien Pan													
Vice President	Song-Yueh Tsay	21,198	21,198	827	827	45,855	45,855	55	0	55	0	0.18%	0.18%	None
Vice President	Wen-Yü Cheng													
Vice President	Te-Hsiung Hsu													
Vice President	Yü-Lang Chien													

\* Regardless of job titles, employees in a position equivalent to President and Vice Presidents shall be disclosed.

b. Spacing Disclosure

Range of Remuneration	Name of President and Vice Presidents	
	From FPCC (Note 6)	Companies in the consolidated financial statements (Note 7) (E)
Under NT\$ 1,000,000	—	—
NT\$ 1,000,000 ~ NT\$1,999,999	Chun-Tien Pan	—
NT\$ 2,000,000 ~ NT\$ 3,499,999	—	—
NT\$ 3,500,000 ~ NT\$ 4,999,999	—	—
NT\$ 2,000,000 ~ NT\$ 4,999,999	—	—
NT\$ 5,000,000 ~ NT\$ 9,999,999	Han-Ting Chen, Jui-Shih Chen, Song-Yueh Tsay, Wen-Yu Cheng, Te-Hsiung Hsu, Yu-Lang Chien	Han-Ting Chen, Jui-Shih Chen, Chun-Tien Pan, Song-Yueh Tsay, Wen-Yu Cheng, Te-Hsiung Hsu, Yu-Lang Chien
NT\$10,000,000 ~ NT\$ 14,999,999	Mihn Tsao, Keh-Yen Lin	Mihn Tsao, Keh-Yen Lin
NT\$15,000,000 ~ NT\$ 29,999,999	—	—
NT\$30,000,000 ~ NT\$ 49,999,999	—	—
NT\$50,000,000 ~ NT\$ 99,999,999	—	—
Over NT\$100,000,000	—	—
Under NT\$ 2,000,000	9	9

Note 1: The names of President and Vice Presidents shall be listed separately, but compensation may be disclosed in aggregate amounts. If a Director serves concurrently as President or Vice Presidents, indicate in this table and the table above.

Note 2: Indicate the salaries, job-related allowances and severance pay paid to President and Vice Presidents in the most recent fiscal year.

Note 3: Cash and non-cash compensation paid to President and Vice Presidents in the most recent year, including bonus, incentives, transportation expenses, various allowances, provision of physical good and services such as accommodation, and vehicles, and other remunerations. If housing, vehicle and other means of transportation, or personal expense is paid, the nature and cost of the asset provided should be disclosed, the rental calculated based on actual cost or fair market value, fuel, and other payments. If a driver is provided, please disclose in note the remuneration paid to such a driver. However, such payment shall not be included in compensation.

Note 4: Disclose the employees' compensation (including shares and cash) approved by the Board meeting in the most recent year received by President and Vice Presidents who were entitled to the compensation due to their positions in the company as employees. If it is not possible to provide such estimate, the actual proportional amount distributed prior year shall be used in the computation of the amount to be proposed this year. Please also fill in the attached table additionally. Net profit after tax refers to the amount accrued in the most recent fiscal year. For companies who have adopted the International Financial Reporting Standards, net profit after tax refers to the amount listed in the parent company only or the consolidated financial statements accrued in the most recent fiscal year.

Note 5: The aggregate amount of various compensation items paid to President or Vice Presidents of the Company by all the companies (including the Company) listed in the consolidated financial statement shall be disclosed.

Note 6: The aggregate compensation amount paid to President or Vice Presidents by the Company shall be disclosed in the corresponding compensation range with the President's or Vice Presidents' names.

Note 7: The aggregate amount of various compensation items paid to President or Vice Presidents of the Company by all the companies (including the Company) listed in the consolidated financial statement shall be disclosed in the corresponding compensation range with the President's or Vice Presidents' names.

Note 8: Net profit after tax refers to the amount accrued in the most recent fiscal year. For companies who have adopted the International Financial Reporting Standards, net profit after tax refers to the amount listed in the parent company only or the consolidated financial statements accrued in the most recent fiscal year.

Note 9: a. The amount of compensation received from invested companies other than a subsidiary by the Company's President or Vice Presidents shall be indicated clearly in this column.

b. If President or Vice Presidents of the Company has received compensation from any investee companies other than a subsidiary, the amount of compensation received from the investee companies other than a subsidiary shall be included into Column E of the Compensation Ranges Table; the column shall be renamed as "All Investee Companies".

c. Compensation refers to incentives, remunerations (including compensation for employees, Directors and Supervisors) and allowances for professional practices received by the Company's President or Vice Presidents from investee companies other than a subsidiary for their tenure as a Director, Supervisor, or managerial officer of investee companies.

\* The content of compensation disclosed in this Table is derived from a concept different from the concept of "income" stipulated in the Income Tax Act. The purpose of the table is for information disclosure, not for taxation.

### 3.4 Employee Compensation of Executive Officers

Unit: NT\$ Thousand; 2020.03.09

Title (Note 1)		Name (Note 1)	Employee Compensation-in Stock	Employee Compensation-in Cash	Total	Total Employee Compensation as a % of 2018 Net income (%)
Manager	President	Mihn Tsao				
	Executive Vice President	Keh-Yen Lin				
	Senior Vice President	Jui-Shih Chen				
	Senior Vice President	Chun-Tien Pan				
	Vice President	Song-Yueh Tsay				
	Vice President	Wen-Yu Cheng				
	Vice President	Te-Hsiung Hsu				
	Vice President	Yu-Lang Chien				
	Finance Officer	Chien-Tang Tsai				
	Accounting Officer	Tsung-Lin Chen				
			-	55	55	-

Note 1: The names of President or Vice Presidents shall be disclosed separately, but compensation may be disclosed in aggregate amounts.

Note 2: Disclose the employees' compensation (including shares and cash) approved by the Board meeting in the most recent year received by managerial officers who were entitled to the compensation due to their positions in the company as employees. If it is not possible to provide such estimate, the actual proportional amount distributed prior year shall be used in the computation of the amount to be proposed this year. Net profit after tax refers to the amount accrued in the most recent fiscal year. For companies who have adopted the International Financial Reporting Standards, net profit after tax refers to the amount listed in the parent company only or the consolidated financial statements accrued in the most recent fiscal year.

Note 3: The definition of a manager, as governed by the Official Letter No. 0920001301 issued by FSC on March 27th 2003, refers to a person who "has been approved by the Board of Directors," and "who have the substantial power to manage a company's affairs and are a company's authorized signatories."

Note 4: If Directors, President, or Vice Presidents has received employee compensation (including shares and cash), this table shall be prepared in addition to the above table.

3.5 Individually compare and describe the total compensation amount paid to each Director, Supervisor, President, and Vice President, as a percentage of net income by the Company and by all other companies listed in the consolidated financial statements during the past two fiscal years, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance.

Explanation:

- (1) Analysis of the total remuneration, as a percentage of net income paid by the Company during the past two fiscal years to Directors, President, and Vice Presidents is set out below:

Item \ Period	Payment amount (NT\$ thousands)		Percentage of net profit after tax (%)	
	2018	2019	2018	2019
Compensation for Directors and Managers	115,801	113,611	0.19	0.31

- (2) Description of remuneration policies, standards, and packages, the procedure for determining remuneration, and its connection to operating performance and future risk exposure.

The Company's Independent Directors receive a fixed amount of compensation monthly as well as reimbursement for transportation expenses based on their actual attendance of the Board meetings. No varied remuneration is paid to Independent Directors.

For other Directors' compensation, the Board of Directors are authorized, in accordance with the Company's Articles of Incorporation, to determine the remuneration amount based on a Director's involvement in the Company's operations and his/her contribution values and in comparison with payments in other business of the same industry. Reimbursement for transportation expenses is paid based on actual attendance of the Board meetings. No varied remuneration is paid to Independent Directors.

Compensation to Directors attributed from capital surplus is cancelled as approved by shareholders' meeting on May 30th, 2008.

Compensation paid to President and Vice Presidents is calculated in accordance with the Articles of Incorporation and the Article 29 of the Company Act. Compensation includes monthly fixed salaries, diligence bonus, year-end bonus, and Supervisors' incentives. Pension is made monthly in accordance with the Company's Retirement Regulations (including both the new and old pension system), rewards, etc. Other payments on special occasions include retirement pension, severance payment, consolation fund, etc. In addition, adjustment of President's and Vice Presidents' monthly fixed salaries is proposed to the Remuneration

Committee annually to be in line with the salary adjustment standards for all employees.

- (3) Please specify the remuneration policies, systems, standard and structure for determining the remuneration to independent directors, and linkage between the amount of remuneration to factors such as duties, risks and time invested:

The Company's Independent Directors receive a fixed amount of compensation monthly as well as reimbursement for transportation expenses based on their actual attendance of the Board meetings. No varied remuneration is paid to Independent Directors. Please refer to the Company's Rules Governing the Scope of Powers of Independent Directors and website for information regarding the duties and the implementation thereof.

### 3.6 Members of the Board of Directors and the succession plan for key managerial personnel

- (1) The Company's Directors shall be nominated by major shareholders and approved by the shareholders' meeting. For Directors newly on-board, the Company will arrange a 12-hour training session in current fiscal year and provide them with Directors and personnel-related regulations, along with other informative documents such as precaution measures and regulation handbooks. During the tenure, a Director shall attend a total of 6 hours of training sessions each year to obtain required professional knowledge for performing the Directors' duties. Last time, FPCC directors were re-elected in 2018, three vice presidents, Te-Hsiung Hsu, Song-Yueh Tsay and Wen-Yu Cheng has entered into board of directors, taking over the seat of retiring directors.
- (2) To recruit employees at important management levels, the Company has established the Regulations for Talent Development to regulate the criteria for candidate selection, selection principles, development methods and conditions of improvement. There shall be at least two candidates selected from each department for the development of management-level supervisor, in order to select a more appropriate person for future promotion. In addition to daily business communication, supervisors and foster also learn about the business status of each business department by participating in meetings such as company budget reports, quarterly performance reviews and operation reports, we follow the aforesaid succession planning, and the recent implementation is as follows:

	Retirement	Newly-Appointed
2019	Han-Ting Chen Lin-Shen Ma	Chun-Tien Pan
2018	Yeong-Fa Wang	Yu-Lang Chien

#### 4. Implementation of Corporate Governance

##### 4.1 Board of Directors' Meeting Status (A total of 6 meetings of the board of directors were held in 2019, Director attendance status is shown as follows) :

Title	Name	Attendance in person	Commissioned times	Attendance rate in person (%)	Remark
Chairman	Bao-Lang Chen (Representative of Formosa Plastics Corp.)	6	0	100	—
Managing Director	Wen-Yuan Wong (Representative of Formosa Chemical & Fibre Corp.)	5	0	83	
Managing Director	Susan Wang (Representative of Formosa Plastics Corp.)	5	0	83	
Managing Director	Welfred Wang (Representative of Nan Ya Plastics Corp.)	4	0	67	
Managing/Independent Director	C.P Chang	6	1	100	
Independent Director	Yu Cheng	6	0	100	
Independent Director	Sush-Der Lee	6	0	100	
Director	Mihn Tsao (Representative of Nan Ya Plastics Corp.)	6	0	100	
Director	Walter Wang	1	0	17	
Director	Keh-Yen Lin	6	0	100	
Director	Jui-Shih Chen	5	0	83	
Director	Lin-Shen Ma	6	0	100	
Director	Te-Hsiung Hsu	6	0	100	
Director	Song-Yueh Tsay	6	0	100	
Director	Wen-Yu Cheng	6	0	100	

Other mentionable items:

- If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all Independent Directors' opinions and the Company's response should be specified:
    - Matters referred to in Article 14-3 of the Securities and Exchange Act.
    - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.
- The Company has set up the Audit Committee in accordance with regulations and therefore is not applicable to the provisions stipulated in Article 14, Paragraph 3 of the Securities and Exchange Act. In



addition, there is no Director or Supervisor who has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, or said dissenting opinion recorded or prepared as a written declaration for the current year. For Independent Directors' opinions, their handling status and voting results, please refer to 3.11 Material resolutions of a shareholders' meeting or a Board of Directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

2. For Information about the Implementation of Directors' Recusal in Proposals with Conflicts of Interests, the Name of the Directors, the Content of the Proposal, Reasons for Recusal, and the Results of Voting Shall be indicated: Please refer to 3.11 Material resolutions of a shareholders' meeting or a Board of Directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.
3. Information regarding evaluation cycles, periods, scope and method of evaluation of the Board of Directors of a listed Company shall be disclosed.  
Description: The Company will implement performance evaluation of the Board of Directors in accordance with the regulations from 2020 and disclose all relevant information in the following year.
4. Goals to Strengthen the Functions (for Example, Establishment of Audit Committee, Enhancement of Information Transparency) of the Board Meeting during the Current and Immediately Preceding Fiscal Years, and Measures Taken toward Achievement:
  - (1) The Board of Directors operates in compliance with laws, regulations, the Articles of Incorporation, and the resolutions adopted by the shareholders' meeting. In addition to possess necessary professional knowledge to carry out their duties, all Directors shall act in accordance with the principles of honesty and loyalty and their due obligations, in order to create the greatest interests for all shareholders.
  - (2) The Company has elected Independent Directors on board. To establish a sound governance system for the Board of Directors, as well as strengthening the supervisory and management function of the Board, the Company has formulated the Rules and Procedures of Board of Director Meetings, which states the main agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements for board meetings, all of which shall be handled in accordance with these Regulations.
  - (3) In addition to performing self-check on the Board of Directors' operations every year to strengthen the function of the Board, the Company shall conduct internal audit to report the operational status of the Board in accordance with the aforementioned regulations. 2019 Audit Report of the Operational Status of the Board of Directors has been completed on December 19th. The Audit Report has been submitted to each Independent Director for review in accordance with regulations, and there is no violation found in the Audit Result.
  - (4) The Company has established the Remuneration Committee with effect from August 23rd, 2011 in accordance with the regulations of the competent authority of securities. The Committee has held a total of three meetings in 2019 on January 17th, August 7th and December 12th respectively.
  - (5) The Company has established the Audit Committee with effect from June 15th, 2015 to replace the Supervisory function in order to strengthen corporate supervision and implement corporate governance internally. The Audit Committee has held a total of 5 meetings on March 11th, May 6th, August 7th, October 31st, and December 12th in 2019, respectively.
  - (6) To strengthen corporate governance, the Company evaluates the independence and suitability of CPAs at least once every year in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reports the result to the Board of Directors. The evaluation result for the most recent two fiscal years have been reported to the Board of Directors on March 11th, 2019 and March 9th, 2020.

4.2 The State of operations of the Audit Committee or the state of participation in Board meetings by the Supervisors:

1. Annual work highlights and operational conditions of the Audit Committee:

(1) The Company's Audit Committee consists of three members.

(2) The annual work highlights of the Audit Committee are focused on the main purposes of the following items:

- Fair presentation of the Company's financial statements
- Appointment and dismissal of CPAs and evaluation of CPA's independence and performance.
- Effective implementation of the Company's internal control.
- The Company's compliance with relevant laws and regulations.
- Control of the Company's sustainability or potential risks.

(3) Tenure of members: From June 14th, 2018 to June 13th, 2021. The Audit Committee has held 5 meetings (A) in the most recent fiscal year to December 31st, 2019. The audit items are applicable to the provisions of Article 14-5 of the Securities and Exchange Act. The members' attendance is set out as follows:

Title	Name	Attend in person (B)	Commissioned times	Attendance rate in person (%) (B / A)	Remark
Convener	C.P Chang	5	0	100	Independent Director
Committee	Yu Cheng	5	0	100	Independent Director
Committee	Sush-Der Lee	5	0	100	Independent Director

Other annotations:

1. The operation of the Audit Committee shall, if any of the following circumstances, specify the date of the Board, date, contents, results of the Audit Committee resolutions and the handling of the opinions of the Audit Committee as below:

(1)The matters listed in Article 14.5 of the Securities Exchange Act.

(2)Except previous matters, the other approved by the Audit Committee, and by more than two-thirds of all directors agreed to the matter.

a. In the Board of Directors' report for the current year, the items that are required by the provisions of Article 14-5 of the Securities and Exchange Act are:

Board meeting date and period	Content of proposals in the Board meeting	Results of the Audit Committee's resolution	The Company's actions in response to the opinions of the Audit Committee
August 7th, 2019,4th meeting in 2019	Report Proposal No. 2: The Company's financial business	Discussion Proposal No. 1 Subject: Proposal to validate the Company's financial	The Board of Directors' report is proposed in

	report for the second quarter of 2019	statements for the second quarter of 2019. Please vote. Resolution: The proposal was approved unanimously by all the members present.	accordance with the resolution of the Audit Committee
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Other matters that are in line with the provisions of the Article 14-5 of the Securities and Exchange Act have all been approved as the resolution of the Audit Committee. For the resolutions of the Audit Committee and the results of the Company's actions in response to the opinions of the Audit Committee, please refer to 3.11 Material resolutions of a shareholders' meeting or a Board of Directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

b. There were no resolutions not approved by the Audit Committee but approved by two-thirds or more of all Directors in the current fiscal year.

2. Implementation of Directors' recusal in proposals with conflict of interests, indicate the name of the Directors, the content of the proposal, reasons for benefit avoidance, and the results of voting counts: None.

3. Communications among Independent Directors, internal auditors, and CPA (including significant matters, methods, and results of the Company's finance and operations):

(1)The Company shall submit individual results of internal audit and improvement for the preceding month to the Company's Independent Directors in accordance with regulations. The Company shall also implement various audit work accordingly and internal audit Supervisors shall participate in each Audit Committee's meeting to ensure that Independent Directors are aware of the implementation status of the Company's internal audit.

(2)The Company's CPA shall participate in the Audit Committee's report meetings at least once a year. Independent Directors may contact CPA directly to understand the content of financial reports. For the most recent two years, the Company's CPA was engaged in the Audit Committee on March 11th, 2018 and March 9th, 2019, respectively. The communication was smooth.

Date	Methods of communication	Communication participants	Communicated matters	Results
March 11th, 2019	Audit Committee	CPA	For information about the audit opinions and communication matters with CPA for the 2018 Financial Report	Acknowledged
March 11th, 2019	Audit Committee	Internal Audit Supervisor	Statement of Internal Control System for 2018	Submitted to the Board of Directors for resolution
March 11th, 2019	Board of Directors	Internal Audit Supervisor	For information about implementation of the internal audit plan from November to December of 2018	Acknowledged
May 6th, 2019	Audit Committee	Internal Audit Supervisor	Amendments to the internal control system of FPCC stock affairs	Submitted to the Board of

				Directors for resolution
May 6th , 2019	Board of Directors	Internal Audit Supervisor	For information about implementation of the internal audit plan for the first quarter of 2019	Acknowledged
June 31st, 2019	Board of Directors	Internal Audit Supervisor	For information about improvement of deficiencies and irregularities of the internal control system in 2018	Acknowledged
August 7th, 2019	Board of Directors	Internal Audit Supervisor	For information about implementation of the internal audit plan for the second quarter of 2019	Acknowledged
October 31st, 2019	Board of Directors	Internal Audit Supervisor	For information about implementation of the internal audit plan for the third quarter of 2019	Acknowledged
December 12th, 2019	Board of Directors	Internal Audit Supervisor	For information about implementation status of internal audit plan in October 2019	Acknowledged
December 12th, 2019	Board of Directors	Internal Audit Supervisor	Proposal to formulate the annual audit plan for 2019	Approved by Resolution of the Board of Directors

## 2. Supervisors' participation in Board meetings

The Audit Committee has been set up within the Company with effect from June 15th, 2015 in replacement of Supervisors. Currently, the Company has no Supervisors.

### 4.3 Corporate Governance Implementation Status and Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status		Deviations from the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
1. Did the Company establish and disclose the Corporate Governance Best Practice Principles based on “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		In compliance with Article 1 and Article 2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The content is slightly revised in accordance with the Company's practice, but it is consistent with the spirit of the Code. The “Principles of Corporate Governance” established by the Company adheres to the principles of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” with minor amendments based on the Company's actual practices.
2. Shareholding structure and shareholders' rights (1) Did the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		In compliance with Article 13 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Did the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control	✓		In compliance with Article 19 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

over those major shareholders?	✓		<p>(3) a. Both the Company and its subsidiaries implement profit center management. Each company's personnel, property management rights and responsibilities are clearly divided, and there are no irregular transactions.</p> <p>b. The funds and loans of the Company and its related companies are calculated based on the accrued market interest rate. The amount of loan is reassessed every quarter based on business needs. Guaranteed coverage and limits have also been set for endorsement guarantees for other companies.</p> <p>c. To reduce losses, comprehensive risk assessment for banks, customers, and suppliers are performed. Each company credit authorization to the same customer and stop payment to the same supplier can be review through the computer system.</p> <p>d. The relationship between the Company and the related companies, such as transaction management, endorsement, loans, etc., are monitored. In accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies", outlined by the Financial supervisory Commission, the Company has set up supervision and management operations to implement the risk control mechanism for its subsidiaries.</p>	Companies. In compliance with Article 14 to Article 17 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(4) Did the Company establish internal rules that prohibit Company insiders from trading securities using undisclosed information?	✓		<p>(4) The Company has established "Personnel Management Rules," and "Guidelines for Prevention of Insider Trading" to forbid using undisclosed information to buy and sell securities for illegal profits. The employees also receive training to comply with relevant regulations.</p>	In compliance with Article 10-3 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
3. Composition and responsibilities of the Board of Directors:				
(1) Did the Board develop and implement a diversified policy for the composition	✓		<p>(1) Article 20 of Code of Practice for Corporate Governance of the Company states that diversified backgrounds of the Company's Directors should be considered when forming the Board of Directors. Professional competence of the existing Directors are diversified,</p>	In compliance with Article 20 of the Corporate Governance

of its members?	<p>including business management ability, leadership ability, knowledge of the industry, understanding of international markets, ability to conduct accounting and financial analysis and experience in industrial management. The Company set diversified management target for directors and then review annually. Current implementation please see as follows:</p> <table><tr><th>Diversified Target</th><th>Achievement in 2019</th></tr><tr><td>1. At least 50% with petrochemical experience</td><td>Achieved</td></tr><tr><td>2. At least 20% with experience in electricity-related industries</td><td>Achieved</td></tr><tr><td>3. At least one director is provided with other industries which is outside of the area aforementioned</td><td>Achieved</td></tr><tr><td>4. At least including one female director</td><td>Achieved</td></tr></table> <p>The present Board of Directors includes 1 female Directors (account for 6.67% of all Directors) and 3 Independent Directors, please refer to page 15~18 of the annual report for further information about the educational background, gender, professional qualification and working experience of each Director.</p> <p>The situation of board members' implement within diversities</p> <table><tr><th rowspan="4">Directors</th><th rowspan="4">Age</th><th rowspan="4">Gender</th><th rowspan="4">Adjunct Employee</th><th colspan="5">Industry Experience</th><th rowspan="4">Seniority of Independent Directors</th><th rowspan="4">Law</th><th rowspan="4">Decision-Making Ability</th><th rowspan="4">Leadership Ability</th><th rowspan="4">Understanding of international markets</th><th rowspan="4">Knowledge of the industry</th><th rowspan="4">Crisis Management</th><th rowspan="4">Business Management Ability</th><th rowspan="4">Ability to conduct accounting and financial analysis</th><th rowspan="4">Business Judgment</th><th rowspan="4">Media</th><th rowspan="4">Technology</th><th rowspan="4">Finance</th><th rowspan="4">Electricity</th><th rowspan="4">Petrochemical</th></tr><tr><th rowspan="3">50</th><th rowspan="3">60</th><th rowspan="3">70</th><th rowspan="3">79</th></tr><tr><th rowspan="2">59</th><th rowspan="2">69</th><th rowspan="2">79</th></tr><tr><th></th><th></th><th></th></tr><tr><td>Bao-Lang 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Target	Achievement in 2019	1. At least 50% with petrochemical experience	Achieved	2. At least 20% with experience in electricity-related industries	Achieved	3. At least one director is provided with other industries which is outside of the area aforementioned	Achieved	4. At least including one female director	Achieved	Directors	Age	Gender	Adjunct Employee	Industry Experience					Seniority of Independent Directors	Law	Decision-Making Ability	Leadership Ability	Understanding of international markets	Knowledge of the industry	Crisis Management	Business Management Ability	Ability to conduct accounting and financial analysis	Business Judgment	Media	Technology	Finance	Electricity	Petrochemical	50	60	70	79	59	69	79				Bao-Lang Chen																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																</
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nomination, and additional office term?	✓	(4) The Company regularly evaluate the independence of CPAs?	(4) The Company evaluates the independence and competence of CPAs at least once a year, focusing on the size and reputation of the accounting firm, the number of consecutive years of providing audit services, the nature and extent of providing non-audit services, the audit fees, peer review, whether there are any legal proceedings or investigations by the competent authorities, quality of audit services, regular training, interaction with management and internal audit supervisors, etc. Relevant information and statements are requested from CPAs and the firms. The documents are then evaluated by the President Office, and the results of the last two years have been submitted to the Board of Directors on March 11th, 2019 and March 9th, 2020 respectively.	In compliance with Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.																		
4. Did the TWSE/TPEX listed company have designated appropriate personnel to handle corporate governance tasks and set up a Chief Governance Officer as the most senior manager in charge of corporate governance-related tasks (including but not limited to providing information required for Director/Supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change Company registry and producing meeting minutes of	✓	4. Did the TWSE/TPEX listed company have designated appropriate personnel to handle corporate governance tasks and set up a Chief Governance Officer as the most senior manager in charge of corporate governance-related tasks (including but not limited to providing information required for Director/Supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change Company registry and producing meeting minutes of	(1) The Company has set up a Chief Governance Officer as the most senior manager in charge of corporate governance-related tasks on May 6th, 2019. Appropriate personnel have also been designated to handle corporate governance tasks. (2) The officer supervises President Office, which is responsible for corporate governance-related matters and is assisted by the relevant departments such as the Legal Affairs Office of the General Administrative Office, which includes handling Board of Directors and shareholders meetings, taking minutes of such meetings, assisting Directors come to office and continue training, providing Directors relevant information for operations, assisting Directors compliance with law and regulations, and so on. (3) A total of 1 meetings of shareholders, 6 meetings of the board of directors, 5 meetings of the audit Committee and 2 meetings of the remuneration Committee were held in 2019. Relevant procedures are handled in accordance with the law, and the director training has been held on November 15th, records are as follows:	In compliance with Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.																		
			<table><tr><th>Title</th><th>Name</th><th>Date of Training</th><th>Organization</th><th>Course</th><th>Training hours</th></tr><tr><td>Director</td><td>Bao-Lang Chen, Wen-Yuan Wong, Welfred Wang, Yu Cheng, Sush-Der Lee, Mihn</td><td>2019.11.15</td><td>Securities and Futures Institute</td><td>Avoid Crossing the Lines of the Securities and Exchange Act: Examples of False Information in the Financial Report and Insider Trading</td><td>3</td></tr><tr><td></td><td></td><td></td><td>Dharma</td><td>Enterprise Value Innovation</td><td>3</td></tr></table>	Title	Name	Date of Training	Organization	Course	Training hours	Director	Bao-Lang Chen, Wen-Yuan Wong, Welfred Wang, Yu Cheng, Sush-Der Lee, Mihn	2019.11.15	Securities and Futures Institute	Avoid Crossing the Lines of the Securities and Exchange Act: Examples of False Information in the Financial Report and Insider Trading	3				Dharma	Enterprise Value Innovation	3	
Title	Name	Date of Training	Organization	Course	Training hours																	
Director	Bao-Lang Chen, Wen-Yuan Wong, Welfred Wang, Yu Cheng, Sush-Der Lee, Mihn	2019.11.15	Securities and Futures Institute	Avoid Crossing the Lines of the Securities and Exchange Act: Examples of False Information in the Financial Report and Insider Trading	3																	
			Dharma	Enterprise Value Innovation	3																	

board/shareholder meetings)?			Tsao, Keh-Yen Lin, Jui-Shih Chen, Lin-Shen Ma, Te-Hsiung Hsu, Song-Yueh Tsay, Wen-Yu Cheng	2019.11.18	Drum Mountain Humanities and Social Improvement Foundation	Countermeasures of Enterprises and Individuals with the Enforcement of the International Tax Co-operation Economic Substance Law and Global Anti-tax Evasion	3	
			Director	2019.11.19				Securities and Futures Institute
			Director	C.P Chang	2019.03.26	Taiwan Corporate Governance Association	New Regulations Regarding Economic Substance Activities Introduced by the Governments of Cayman Islands & British Virgin Islands	1.5
					2019.05.15		Impact of the Draft of Statute for Industrial Innovation on Corporate Tax Planning	1.5
					2019.08.13		Internet Security and Contingency	1.5
					2019.11.12		Corporate Governance Evaluation System Overview	1.5

<p>5. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers and suppliers)? Has a stakeholders' area been set up on the Company website? Are major Corporate Social Responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the Company?</p>	✓	<p>(1) The Company instructs the President Office to communicate with stakeholders depending on the situation. A spokesperson and a deputy spokesperson have been appointed as the external communication channel.</p> <p>(2) The Company set up the stakeholder area on the Company website to provide detailed contact information for the dedicated personnel, including phone number and e-mail, as the channels for the stakeholders to communicate with the Company.</p> <p>(3) The Company responds to stakeholders' issues of concern at the appropriate time through the following channels:</p> <p>a. Shareholders: Shareholders' meetings are held annually and shareholders can fully exercise their voting rights through electronic means. In addition, the annual report of the shareholders' meeting, the monthly revenue and the quarterly self-closing profit and loss are issued to facilitate shareholders' understanding of the Company's operating conditions.</p> <p>b. Employees: mainly concerned with workplace safety, employee welfare, human rights protection, labor and employment issues, etc. Communication with employees can be conducted through trade unions, factory (office) meetings, etc.</p> <p>c. Suppliers: The Company adheres to the principle of sustainable management and fair trade and is committed to working with manufacturers that comply with environmental protection, safety, and human rights standards. Open tenders are held through the Formosa Plastics electronic trading platform, and regular briefings are held to strengthen two-way communication and advocacy.</p> <p>d. Customer: Issues including product quality and after-sales service that customers care about can be addressed through customer visits, participating in exhibitions, product briefings, customer satisfaction surveys, etc. The website also lists the sales service line and e-mail address. Customer complaints are handled through the "Customer Response Form" and the "Customer Complaint Handling Form."</p>	<p>In compliance with Article 47 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</p>
<p>6. Does the Company appoint a professional shareholder services agency to deal with shareholder affairs?</p>	✓	<p>The shareholders' meeting of the Company is currently handled by itself, but the relevant procedures are handled by the designated share unit, the legal office, and the President Office in accordance with rigorous regulations, so that the shareholders' meeting will be convened in a legal, effective, and safe context to ensure shareholders' rights.</p>	<p>Although it does not meet the requirements of Article 7-1 of the Corporate Governance</p>

				Best Practice Principles for TWSE/TPEX Listed Companies, it does not impair the operational efficiency of the shareholders' meeting.
7. Information disclosure				In compliance with Article 57 and Article 59 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(1) Did the Company establish a website to disclose information on financial operations and corporate governance?	✓		(1)The Company has set up a website in Chinese and English with disclosed relevant financial business and corporate governance information under “Investor Relations Section” . The Company's website is: <a href="http://www.fpcc.com.tw">http://www.fpcc.com.tw</a>	In compliance with Article 55 paragraph 3 and Article 56 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Did the Company have other information disclosure channels (such as establishing an English language website, delegating a professional to collect and disclose Company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company website)?	✓		(2)The Company has a spokesperson and a deputy spokesperson. A dedicated person has been appointed in the President Office to collect and disclose Company information, as well as providing the spokespersons and relevant business departments with answers to stakeholders, investors, and authorities.	Although it does not meet the requirements of Article 55 paragraph 2 of the
(1) Does the Company publish and report its annual financial report within two months after the end of an accounting		✓	(3)In principle, the Company submits and announces operating revenue data from the previous month on the 6th in every month and announces self-monitored finance data from the previous quarter on the 10th day in each quarter. The Company also submits and announces financial reports before the deadline in accordance with laws and	

period, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month before the specified deadline?		regulations. Though the Company does not announce annual financial statements two months within the end of an accounting period due to CPA's auditing work, the Company does announce our self-monitored financial information one month before the deadline to help investors to understand our operating status.	Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies ,the Company does announce our self-monitored financial information
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (including but not limited to employee's rights, employee wellness, investor relations, supplier relations, stakeholders' rights, Directors and Supervisors training records, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the Directors and Supervisors of the Company)?	✓	<p>(1) Employees' rights: The Company strives to pursue a harmonious labor-management relationship and attaches importance to the right of employees to express their opinions. We have set up physical suggestion boxes at the places where employees have easy access to, as well as an online suggestion box in the Company information system. Each suggestion box is appointed to dedicated personnel for replying, in order to facilitate communication. An "inspection method" that establishes the internal whistle-blower channel and protection system has also been set up. In the meantime, board of supervisors and labor-management meetings are held by the unions regularly. The heads of relevant departments attend the meetings to fully communicate with the labor representatives. On major labor issues, the Company gives higher priority to the opinions of the unions, and the top leaders consult with the unions to reach a consensus and ensure the harmonious labor-management relationship as well as the sustainable development of the Company.</p> <p>(2) Employee wellness: In order to take care of employees' physical and mental health, the Company has budgeted annual health checks at Chang Gung Memorial Hospital. In addition to the items required by the law, the Company has added cancer screening programs such as A-type fetal protein and cancer embryo antigen. The goal is to ensure the employees understand and improve their health status. In terms of the employees' diet. Besides, the Company has employed counseling personnel in charge of the interview with newcomers, helping them fit in the Company as soon as possible. The counseling</p>	In compliance with Articles 51 to Articles 54 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

		<p>personnel could also provide both advice and care when employees face difficulties with work or life. For the relevant welfare measures, please refer to page 146-148 of the annual report.</p> <p>(3) Investor Relations: The Company uses the President Office and the shareholding department as a bridge between the Company and its shareholders. In terms of corporate information transparency, the Company's website has an "Investor Relations Section" to provide investors with relevant information. In order to maintain a good relationship with investors, the Company has set up a spokesperson system to provide a means of contact with shareholders and corporate investment institutions. In addition to participating in investment forums held by domestic and foreign brokerage firms, the Company holds meetings with both domestic and international investors on irregular basis.</p> <p>(4) Supplier Relations: The Company's procurement and contracting operations are mainly aimed at creating a level playing field by looking for good manufacturers that can provide suitable and appropriate equipment, materials or projects at reasonable prices to meet the needs of expansion or operation of various departments in a timely manner.</p> <p>a. Open and fair procurement and delivery mechanism: The Company uses the "open tender" method to purchase and distribute the contracting system through the Formosa Plastics electronic trading platform. It provides functions such as inquiry, quotation, bargaining, order, delivery, payment progress inquiry, etc. All information is encrypted by electronic voucher and firewall control to ensure the security of all incoming and outgoing data. Vendors can access the inquiry case and make quotations anytime and anywhere through the Internet without time and space restrictions, which greatly improves the efficiency of operations, saves time and money, and reduces operating costs to increase profits. After all the inquiry cases have been launched electronically, the manufacturers with the lowest quotation, fastest delivery time, and best quality are chosen so that both the buyer and the seller can reasonably achieve the goals in a harmonious atmosphere.</p> <p>b. Sound vendor management: In order to stabilize the quality and delivery of materials and ensure the quality and</p>
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		<p>progress of construction, the Company has conducted evaluation and ranking of all manufacturers through the sound management and evaluation of the manufacturers. In the case of overdue delivery of the products (engineering), poor quality, or violation of the safety regulations, the event will be automatically included in the assessment record in order to replace unqualified manufacturers, and cultivate excellent manufacturers to achieve good relations as well as long-term cooperation between the two sides.</p> <p>c. Electronic trading for a win-win situation:</p> <p>The Company combines the comprehensive ERP computer management system and the digital, open, and transparent online procurement and delivery mechanism to build a high-quality, safe, convenient and fast electronic trading environment. The Company has further extended the same system vertically and horizontally to the rest of the industry, sharing the e-generation "Formosa Plastic experience" with all enterprises. At present, combined with the Company's upstream and downstream supply chain systems, with more than 10,000 suppliers and third-party suppliers, this electronic trading platform shares the business opportunities and economic benefits brought about by open trading.</p> <p>(5) Stakeholders' Rights:</p> <p>In addition to continuing to improve in the industry, the Company pursues good business performance and strives to achieve the mission of "caring for the employees, serving the customers, and rewarding the shareholders." Therefore, it is committed to caring for the shareholders, customers, suppliers, employees, and society. In addition to complying with laws and business ethics, the Company is in line with international standards in enhancing competitiveness, create shareholders' benefits, as well as providing supplies of stable, high-quality and low-cost products. With industrial and environmental protection as a priority, the Company will develop towards eco-industrial areas and promote green building and green energy conservation, raw materials procurement, actively planting forests, paying attention to various social issues, investing in community and social welfare undertakings suitable for enterprises to contribute to the society.</p> <p>(6) The situation in which the Company purchased liability insurance for the Directors:</p>	In compliance with
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			<p>The Company has purchased liability insurance for all Directors, and the insured amount is US\$30 million. The above insurance period is from August 1st, 2019 to February 1st, 2021.</p> <p>(7) Implementation and policies of risk management: The Company established risk management policies to identify, evaluate, supervise and control risk from every aspect, enhance the sense of awareness of employees and make sure all potential risks that might happen are endurable, thus, can the Company execute the optimal strategy to rationalize the balance between profits and risks, please refer to page 184~193 of the annual report for further disclosure of risk management policies of the Company.</p> <p>(8) Implementation of customer policy: Customers are the cornerstone of the Company's existence. The goal is to quickly supply the requested products and achieve stable and adequate supply so that customers can continue operate.</p> <p>a. Creating a stable supply and demand The Company and its customers have an important relationship of interdependence, coexistence, and co-prosperity. Therefore, building a stable supply and demand relationship is an issue that every sustainable company must pay attention to. Focusing on the long-term development of the industries in Taiwan, the Company actively invests in the production of chemicals, plastic, and fibre raw materials to provide customers with a stable source of materials and lay a solid foundation for related industries. The solid long-term cooperation has allowed the customers to show steady growth.</p> <p>b. Improving raw material self-sufficiency rate The completion of the sixth naphtha cracker has greatly eased the problem of long-term raw material shortage in Taiwan and reduced the degree of dependence on foreign countries. Current self-efficiency rate of Ethylene in Taiwan reaches above 90 percent, therefore, greatly mitigating the dependence of Ethylene import and</p>	Article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
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			<p>enhancing the competitiveness of the overall industry.</p> <p>c. Enhancing the competitiveness of midstream and downstream manufacturers</p> <p>In order to improve the management capabilities of the middle and lower suppliers of the plastic industry, the founders set up a series of management courses at the early stage, and actively shared the Company's system and experience with the industry. The Company has received positive feedback while strengthening the competitiveness of customers. So far, if other companies come visit, we are willing to share. From a management point of view, the Company has always believed that by taking customer interests into account, the Company will also benefit from it. In addition, in order to cooperate with customers to expand the market, the Company also actively supports customers and provides after-sales service.</p> <p>d. E-commerce saves costs and improves efficiency</p> <p>In order to improve the efficiency of the transaction process with the customer, the customer can get instant information and respond quickly when placing orders, order progress inquiries, receipts and payments, the Company officially established the Formosa Plastics E-Commerce Center in January 2001. This B2B online trading portal imports the e-commerce trading system, coordinates the management of internal resources and strengths, and integrates upstream and downstream supply chain systems and customer business relationships.</p>	
<p>9. Please specify the Company's measures to improve the items listed in the corporate governance review result by Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be completed.</p> <p>The Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. released the results of the 6th Corporate Governance Evaluation in 2019. The Company ranked among the top 20% of listed companies. The improvement of the un-scored event is as follows:</p>				
Evaluation indicators		Reasons for discrepancy	Improvement status	
3.2 Does the Company simultaneously disclose material information in English?		Not achieved in 2019	Material information will be disclosed in English starting from 2020.	

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

#### 4.4 Composition, Responsibilities and Operations of FPCC's Remuneration Committee

##### 1. Remuneration Committee member information

Title (Note 1)	Criteria	Meet the following professional qualification requirements, together with at least five years work experience			Independence (Note 2)										Number of other public companies concurrently serving as a member of remuneration committee	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	A	B	C	D	E	F	G	H	I	J		
Independent Director	C.P Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Yu Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Sush-Der Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please fill in as a Director, Independent Director or Others in the blank of title.

Note 2 : Tick "✓" in the appropriate corresponding boxes if Board Directors and Supervisors qualify the following conditions during the two years before being elected or during the term of office.

- A. Not an employee of the Company or any of its affiliates.
- B. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- C. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- D. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- E. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (this restriction does not apply

to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).

- F. Not when a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- G. Not when the chairman, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- H. Not a director (or governor), supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company (this restriction does not apply to any specified company or institution that holds more than 20% but below 50% of the Company's total issued shares, as well as independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- I. Not a professional individual who, or an owner, partner, director (or governor), supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- J. Not been a person of any conditions defined in Article 30 of the Company Law.

## 2. Operations of the Remuneration Committee

(1) The Company's Remuneration Committee consists of three members.

(2) Tenure of members: From June 14th, 2018 to June 13th, 2021. The Remuneration Committee has held 3 meetings (A) in the most recent fiscal year to December 31st, 2019. The qualifications and attendance of the members is set out as follows:

Position	Name	Number of attendance in person (B)	Number of attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remark
Convener	C.P Chang	3	0	100	
Member	Yu Cheng	3	0	100	
Member	Sush-Der Lee	3	0	100	

Other required disclosure:

- A. In the event the Board of Directors does not adopt or amend the Remuneration Committee, state the date and period of the Board meeting, the content of proposals, resolution of the Board of Directors, and the results of the Company's actions in response to the opinions of the Remuneration Committee (e.g., if the salaries and compensations approved by the Board was higher than the suggested levels from the Remuneration Committee, please state the differences and reasons): None.
- B. If there is any member who has expressed a dissenting opinion with respect to a material resolution passed by the Remuneration Committee, or said dissenting opinion recorded or prepared as a written declaration, state the date and period of the Remuneration Committee meeting, the content of proposals, other members' opinions, and the results of the Company's actions in response to the opinions of the Remuneration Committee: None.
- C. The purpose of the Remuneration Committee is to evaluate the compensation policy and system for directors and managers in professional and objective manners. Evaluation results are provided to the Board of Directors for reference in decision-making.

Note: 1. Where members of the Salary and Remuneration Committee resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual presence rate (%) shall be calculated based on the number of the resigning members' actual participations of the Remuneration Committee's meetings over the number of Remuneration Committee's meetings held.

2. When an election is held for the Remuneration Committee before the end of year, the new and retired members of the Committee shall be listed in separately, and in the note column, indicate whether a member is new, retired, or reflected, along with the election date. The actual attendance rate (%) shall be calculated based on the number of members' actual participation of the Remuneration Committee's meetings and the number of Remuneration Committee's meetings held.

(3) The Company hold the Remuneration Committee at least twice a year. The competency of Remuneration Committee is to evaluate the compensation policy and system for directors and managers in professional and objective manners, and provide to the Board of Directors for reference in decision-making. Coordinate with the term in office of the Board of Directors, the Remuneration Committee will review directors' performance, remuneration policies, systems, standard and structure on a regular basis.

3. Indicate the date of the Remuneration Committee's meeting in the most recent fiscal year, the content of proposals, resolutions of the Committee, and the results of The Company's actions in response to the opinions of the Remuneration Committee

Date of meeting	Content of proposal	Result of resolution	The Company's actions in response to the opinions of the Remuneration Committee
January	Report matters	Acknowledged	The Company's Board

17th, 2019	The Company's Board of Directors has resolved to approve the 2018 Report of Year-End Bonus Issuance Standard for Managers, and Supervisors of Financial and Accounting Division.		of Directors has approved that, the Company's engaged managers, and the supervisors of financial and accounting divisions will be compensated in accordance with the computation result based on "Regulations for the Distribution of Year-End Bonus and remuneration."
August 7th, 2019	Discussion Proposal The degree of compensation adjustment in 2019 for the Company's managerial officers is proposed to be in line with the whole employees' compensation. Please vote.	The proposal was approved unanimously by all the members present, and was submitted to the Board of Directors for resolution.	The proposal was submitted to the Board of Directors for resolution, and was approved unanimously by all the Directors present.
December 12th, 2019	Discussion Proposal The Company proposes to revise its Procedures for Distributing Year-end Bonus and Remuneration as the 5-year implementation cycle of the current institutionalized formula for the distribution of year-end bonus has expired.	The proposal was approved unanimously by all the members present, and was submitted to the Board of Directors for resolution.	The proposal was submitted to the Board of Directors for resolution, and was approved unanimously by all the Directors present.

#### 4.5 Social Responsibilities Implementation Status and Deviations from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status (Note1)		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	
1. Does the Company conduct risk assessment in regards to environmental, social, and governance topics related to company operations in accordance with the materiality principle, and establish relevant risk management policy or strategy?(Note 3)	✓	The Company's President Office assess the risks to the Company from the following issues based on the levels of influence to stakeholders, and establish risk policies that enable effective identification, measurement and evaluation, supervision, and control to lower influences from relevant risks: 1. Environmental issues: climate change, water resources, greenhouse gas emissions, and waste management, etc. 2. Social issues: human rights, labor rights, social engagement, and giving back to the society, etc. 3. Governance issues: strategic operations, ethical business conduct, legal compliance, and hazardous risks, etc.	In compliance with the Article 3 paragraph 2 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
2. Has the Company established an exclusively (or concurrently) dedicated unit for promoting CSR? Is the unit empowered by the Board of Directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the Board of Directors?	✓	To promote Corporate Social Responsibility, the Chairman has been appointed as the general convener. President Office form “The Corporate Social Responsibility Promoting Unit”. The Corporate Social Responsibility Promoting Unit is responsible for setting and reviewing corporate social responsibility policies, systems or related management policies, performance monitoring and preparation of corporate social responsibility reports, and reporting to the board of directors every year. The 2018 implementation and corporate social responsibility report was issued on May 31st, 2019. The 2019 implementation situation and corporate social responsibility report are expected to be reported to the Board of Directors on May 29th, 2020. Please find corporate social	In compliance with the Article 9 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
			responsibility report about the detail of FPCC's governance structure.	
3. Environmental issues (1) Has the Company referred to the nature of its industry to establish a suitable environment management system (EMS)?	✓		(1) The Company formulated the administrative standards for security and health management, management information systems, office automation systems, etc., and strengthened the management of the security zone in the plants area through the improvement of the system. In addition, the Company will further introduce environmental accounting systems by collecting environmental expenditure information, environmental expenditure benefits, and informing stakeholders of environmental protection measures. (For details of the environmental management system based on industrial characteristics, please refer to page 52-56 of the 2018 Corporate Social Responsibility Report.)	In compliance with Article 13 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(2) Is the Company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	✓		(2) From raw material procurement to product sales, the Company attaches great importance to the health and safety of its customers. Therefore, the production process is continuously improved upon. To follow the market trends and meet customers' needs, the Company has shifted its focus to producing non-toxic and environmentally friendly products with improved production processes as well as green energy products. (For details of the specific practices and products that are environmentally friendly, please refer to page 55 of the 2018 Corporate Social Responsibility Report)	In compliance with Article 12 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(3) Does the Company assess	✓		(3) The Company continued to assess potential risks and opportunities	In compliance with

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
potential risks and opportunities arising from climate change, and establish relevant risk management policy or strategy?			arising from climate change in aspects of finance, reputation, global economy, energy cost volatility, and environmental compliance costs, set energy conservation targets and measures, and develop eco-friendly products to keep the business operations stable and competitive. (Please refer to page 55-59 of the 2018 Corporate Social Responsibility Report.)	Article 17, paragraph 1 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(4) Does the company monitor its greenhouse gas (GHG) emissions, water consumption, and waste volume for the past two years, and establish policies for energy conservation, carbon and GHG reduction, water consumption reduction, waste volume reduction accordingly?	✓		(4) For energy conservation and carbon reduction, we set specific reduction targets each year and regularly commissions BSI (British Standards Association) and SGS (Taiwan Inspection and Technology Corporation) to conduct greenhouse gas inventory to calculate greenhouse gas reduction performance. As of the printing date of the annual report, the discharge data for 2018 and the previous years have been published. The data of 2019 is currently verifying and will be announced after the verification is completed. (For further details, please refer to page 60-65 of the 2018 Corporate Social Responsibility Report.)	In compliance with Article 17, paragraph 2~3 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
4. Social issues (1) Has the Company referred to relevant laws and international human rights instruments to establish relevant management policies and procedures?	✓		(1) In order to guarantee the human right of employees, customers and stakeholders of the Company, the Company complies with relevant employment relations acts such as the Labor Standard Act, UN Universal Declaration of human Rights, and UN Guiding Principles on Business & Human Rights, International Labor Office Tripartite Declaration of Principles Concerning Multinational Enterprises and	In compliance with Article 18 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed



Evaluation Item	Implementation Status (Note1)		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	
(2) Did the company establish and implement reasonable employee benefits (including compensations, holidays, and other benefits), and appropriately reflect its business performance and results on its employee compensations?	✓		<p>Social Policy, etc. The Company also complies with the various labor laws and regulations of the Republic of China and the local laws and regulations of each operating branch. The Company also complies relevant labor laws to formulate personnel rules and regulations to protect employees' rights and interests. It also provides stable and excellent treatment, complete education and training, promotion and development system, and a safe and healthy working environment to enhance the professional competence of employees. The Chairman of the Company, Bao-Lang Chen, officially signed the human rights policy in August, 2018. For details, please refer to page 94-98 of the 2018 Corporate Social Responsibility Report and FPCC official website.</p> <p>(2) a. The Company has clear regulations on employee promotion, assessment, training, rewards, and punishments. The salary for new recruits is based on the qualifications required for the job. Female and male employees of the same position and rank receive equal pay for equal work. Employee performance is reviewed regularly in order for raise and promotion to be given accordingly.</p> <p>b. The Company's fixed holidays are Saturdays, Sundays, national holidays, and other holidays as stipulated by the central competent authority. Annual leaves are also given to employees pursuant to the Labor Standards Act.</p> <p>c. Article 21 of the Articles of Incorporation of the Company states that when allocating the net profits for each fiscal year, the</p>
			<p>Companies.</p> <p>Companies.</p>

Evaluation Item	Implementation Status (Note1)		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	
			Summary(Note2)
			Company shall set aside 0.02% to 0.1% of the balance of pre-tax profit prior to deducting employees' compensation as compensation of employees. In addition, the Company provide year-end bonus and formulate the degree of salary increase each year according to operation performance of the Company.
(3) Has the Company provided employees with safe and healthy work environments as well as regular classes on health and safety?	✓		(3) The Company regularly provides health and education information for employees. In order to enhance employees' safety and health awareness, the Company distributes "work hazard reminder cards" and "safety and hygiene manuals" to remind employees of work safety through education, training, and safety observation. (For details on how to improve employee safety in the workplace, please refer to page 77-94 of the 2018 Corporate Social Responsibility Report.)
(4) Has the Company established an effective competency development career training program for employees?	✓		(4) Through the e-training management system, the Company ensures that personnel are gradually completing the training of new personnel, foundation, professional and cadre reserve. In addition, in line with the work and safety needs of individual units, counseling staff with professional licenses hold occasional seminars on various topics as well as strengthening human rights and workplace safety awareness courses. For more details of the lessons of human rights, please refer to the official website of the Company. ( <a href="http://fpcc-csr.errorz.net/index.php">http://fpcc-csr.errorz.net/index.php</a> ) (For specific training practices, please refer to the 2018 Corporate Social Responsibility Report.)
(5) Does the company follow	✓		(5) a. Since most of the products produced by the Company are not directly sold to general consumers, there are fewer marketing activities such as

Evaluation Item	Implementation Status (Note1)		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	
relevant laws, regulations and international guidelines in terms of customer health, safety, and privacy, as well as when marketing or labeling its products and services and has the company established relevant consumer protection policies and grievance procedures?			media advertisements and campaigns. If there are promotion activities involving regulations, all units will first consult the legal office to avoid violation. To protect customer privacy, the Company has established the "Personal Data Management Procedures" to strictly limit the use and control on any queries into personal data. b. Customer relationship management is an important part of the Company's sustainable operation. In order to understand the valuable opinions of customers, the Company has clearly defined the customer complaints pipeline as well as return and compensation application procedures so that customers can express relevant appeals through the Response Form. Product complaints are handled by the salesperson filling out the Customer Complaint Handling Form for all returns and exchanges. The process is also monitored by the computer system. Another method for customers to make inquiries or comments is to contact the telephone number or e-mail address listed on the official website. Comments and suggestions are prioritized according to the level of importance and timeliness. They are then forwarded to the relevant departments to ensure that the Company meets all customers' needs.
(6) Has the company established supplier management policy and require suppliers to comply	✓		(6) During procurement, the Company has always required upstream suppliers to meet RoHS, ISO, and related national industrial safety standards, where all goods must be suitably labeled according to the nature of the products, i.e. warning labels. Suppliers should also adopt

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
with relevant standards on environmental protection, occupational safety and health, or labor and human rights issues?			appropriate recycling procedures for used containers or delivery vehicles. Products manufactured by the disadvantaged and products with non-radioactive labels are prioritized for procurement. The "Price Inquiries" and "Orders" include requirements for suppliers that they comply with the regulations and fair trade principles. The Company commits itself to ensuring that the partners meet environment protection, industrial safety, and human rights requirements. Non-compliant manufacturers will be rejected and placed under manufacturer evaluation. When purchasing materials, parts or products containing metal components, suppliers are required to investigate whether they meet the "conflict-free metal" to ensure that the purchased raw materials are obtained through legal channels. (For further details, please refer to the 2018 Corporate Social Responsibility Report.)	Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
5. Does the company refer to guidelines for the preparation of internationally accepted reports and prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Has the aforementioned statement received any validation or	✓		The content structure of the Company's 2019 Corporate Social Responsibility Report is based on the Global Resiliency Reporting Association's GRI standards guidelines, written in accordance with the guidelines and framework outlined in the Core Options, and exposes the Company's main sustainability issues, strategies, goals and objectives, as well as measures. Verified by the British Standards Association (BSI), an impartial third-party unit, and is disclosed in accordance with the core options, and is presented in international common indicators.	In compliance with Article 29 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation Item	Implementation Status (Note1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)	
guarantee from third-party accreditation/attestation organization?				
<p>6. Where the Company has established its own Best Practices on CSR according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the prescribed best practices and actual implementations taken by the Company:</p> <p>Note: The Company passed the resolution of the “Corporate Social Responsibility Code” as set out in the resolution of the Board of Directors on August 6th, 2015. Although the Company's practice has been slightly revised, the established code and the “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” comply with the same spirit. For the operation of the Company's Corporate Social Responsibility, please refer to the Corporate Social Responsibility Report and website description.</p> <p>7. Other important and helpful information in understanding CSR operation:</p> <p>Social welfare engagement of the enterprise</p> <p>1. The system, measures, and performance of environmental protection, safety, and health:</p> <p>Since its establishment, the Company has always adhered to the philosophy of "industrial development and environmental protection," and pursues social responsibility and sustainable business. Therefore, it attaches great importance to the work of environmental protection. Following this concept, the Company adopts the latest international technology for production processes and environmental protection equipment. For example, when building a power plant more than a decade ago, the Company was the first in the country to insist on the use of closed coal bunkers. Coal dust no longer polluted the air, and BACT is used to make pollution emissions far below domestic and international standards. Although the construction cost increased, the intangible environmental improvement and the reduction of resource waste and cost reduction can be obtained. In addition to selecting the best production processes and environmental protection equipment at the beginning of the planning period, the Company also took into consideration of the integration of upstream, middle, and downstream processes, and recycles the by-products and wastes of the upstream process as raw materials and fuels for the middle and downstream processes by fully integrating</p>				

Evaluation Item	Implementation Status (Note1)		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Summary(Note2)		
	Yes	No	
<p>and reusing waste gas, waste heat and low-level energy between the plants, make the best use of resources and energy, reduce energy and waste resources, we pursue the goal of achieving an eco-industrial park. For example, the power and steam consumption per unit of product in 2019 years has decreased by 59.2% and 72.9% respectively since the trial operation began in 1999. Future reduction targets will continue to be promoted. The spirit of the Company is to always find out the root cause of any problem, continues to improve, and consists in stopping in perfect goodness. Through continuous improvement, the Company will continue to improve the efficiency of equipment operation to reduce energy and resource use, and strengthen the competitiveness of sustainable operation.</p> <p>Taking water conservation as an example, from 1999 years to 2019, the sixth naphtha cracker has invested 8.51 billion dollars to complete 2,082 improvement cases, saving 279,300 tons of water per day. The 280 ongoing cases will receive 2.29 billion dollars of investment to achieve the target of saving 17,400 tons of water per day. The total investment is 10.8 billion dollars. After the completion, the annual benefit will be approximately 1.32 billion dollars. In terms of energy conservation and carbon reduction, the sixth naphtha cracker has also invested 19.93 billion dollars 7,079 improvement cases have been completed, reducing about 10.893 million tons of CO<sub>2</sub>. 1,208 ongoing cases will receive 7.6 billion dollars. It is estimated that an additional 1.373 million tons of CO<sub>2</sub> will be reduced, with a total investment of 27.53 billion dollars. The end benefits will be about 32.74 billion dollars per year.</p> <p>The above-mentioned results can be affirmed by the Company awards from 159 business units and commendations from the competent authorities of the Ministry of Economic Affairs, the Water Resources Department, the Industrial Bureau, the Energy Bureau, and the Environmental Protection Agency during the 12 last years between 2008 and 2019.</p> <p>In addition to adopting the best international production process, doing environmental protection work such as pollution prevention, clean production, energy conservation, carbon reduction, and water conservation to reach the goal of becoming ecological industrial parks, the Company also follows the trend of the times and pays attention to global warming. In recent years, the Company has promoted tree planting in the factory area. The Company has actively promoted the greening of various factories. At present, the Company has planted nearly 2 million trees and 390,000 square meters of shrubs, which can absorb about 15,000 tons of CO2 per year. Providing a green aerobic environment for employees and nearby residents, and taking into account the best of both industrial development and environmental protection. Traditional factories give the impression that there are few green spaces and trees, and even chimneys emit black smoke from time to time, causing air</p>			

Evaluation Item	Implementation Status (Note1)		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	
Summary(Note2)			
<p>pollution. The direction of the Company's various factories is to change the minds of people to create a green landscape just like the park, and to turn air pollution into a natural landscape.</p> <p>At the same time, the Company also responded to the government's afforestation and carbon reduction plan and cooperated with the Yunlin County Government to promote flatland afforestation and carbon reduction activities. In 2011, the Company started to receive 10-year afforestation and carbon reduction subsidy. As of 2019, the Company has received the flatland afforestation award in Yunlin County, with an application area of 1,094 hectares, and about 1.206 billion in subsidies have been provided to the afforestation applicants, contributing to the afforestation and carbon reduction.</p> <p>The Company also fully cooperates with the Environmental Protection Agency to promote green procurement of private enterprises to implement the energy-saving and carbon-reduction green consumption policy. The statistical green procurement amount of the Company in 2019 is 293 million dollars.</p> <p>In addition, providing a healthy and safe working environment is the responsibility of the Company to employees and their dependents. Therefore, "Safety First" is an important principle for us to cherish our employees. In addition to establishing a reward system, employees and contractors are encouraged to raise issues with unsatisfactory behaviors and false alarms. Departments with zero occupational disasters are also rewarded, encouraging all units to report potential hazards, and report abnormalities, and unsafe behaviors. The quarterly review eliminates potential hazards and conducts inter-departmental competitions and performance reviews to increase employee engagement.</p> <p>2. Community participation:</p> <p>The Company is deeply rooted in Taiwan. Factories are distributed all over Taiwan. We strive to become a "good neighbor" with the surrounding residents by setting up a dedicated group in each factory to communicate with residents and provide all kinds of assistance. In addition, we continue to mobilize our staff to clean up neighborhood streets and beaches, continually invest in local public welfare activities, and assist in caring for families and disadvantaged groups, so that our employees and community residents can be integrated. Employees have also spontaneously formed a charity group, responding to the feedback to the neighborhood, and by long-term and continuous attention, gradually expand human care and love to every corner of the society to jointly establish a peaceful society.</p> <p>3. Social contribution, social services, social welfare, and other social responsibility activities:</p>			

Evaluation Item	Implementation Status (Note1)		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	
<p>Based on the spirit of "Take from society, give back to society", the Company is committed to the sustainable operation and continues to give back to the society and fulfill its social responsibilities with the management policy of "quality, reputation, service, and environmental protection." Our results in social responsibility are also recorded in the "Corporate Social Responsibility Report."</p> <p>In addition to dedicating to business operations, we also invest in medical care, education, and various social welfare undertakings to fulfill Corporate Social Responsibility:</p> <p>(1) Medical treatment: Chang Gung Memorial Hospital was established in 1976. It is committed to "improving medical standards and creating social well-being" and has the courage to challenge the status quo. It not only drives the reform and progress of the medical community but also won the trust of the general public. Now, in Taiwan, there are four major sectors, the North Sector (including Keelung, Lover Lake, Taipei, Linkou, Taoyuan, and other nursing homes), Chiayi Sector, Yunlin Sector, and Kaohsiung Sector (Kaohsiung and Fengshan Hospital). In services, it is also the largest and most complete medical institution in Asia, from emergency medical treatment to rehabilitation, health care, and senior care. Chang Gung Memorial Hospital also donated 999 sets of artificial electronic ears for the benefit of hearing-impaired children, and set up a social service fund to subsidize poor patients for long-term treatment. As of the end of 2019, it has spent 9.14 billion dollars and continues to provide the medical assistance needed in remote and undeveloped countries.</p> <p>(2) Education: In the 1960s, various industries in Taiwan flourished. In view of the shortage of industrial talents, the Company founded Mingzhi Institute of Technology (now Mingzhi University of Science and Technology) to provide the students from poor families a chance to study and work at the same time. Later, Chang Gung Medical College (now Chang Gung University) and Chang Gung College (now Chang Gung University of Science and Technology) were established to cultivate students' diligence and simplicity by combining theory and practice, and to cultivate excellent industrial middle cadres and medical staff. Since the beginning of the 1995, the Company started funding for Aboriginal youth education and employment opportunities. The total donation amount is approximately 1.7 billion dollars, and the number of assisted people reached 5,484.</p> <p>(3) Disaster relief: assisting in the 921 earthquake (1999), Morakot wind disaster (2009), Kaohsiung gas explosion incident (2014), Tainan earthquake (2016), Nibble wind disaster (2016), Hualien earthquake (2018) and other disaster relief in reconstruction and the rehabilitation of schools in the disaster areas. So far, 76 primary and secondary schools have been fully sponsored by the Company.</p>			



Evaluation Item	Implementation Status (Note1)		Deviations from the Corporate Social Responsibility Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	
	Summary(Note2)		
<p>(4) Other social welfare: In addition to medical and education, the founders of Formosa Plastics have set up seven foundations and charitable social welfare funds. Through the operation of the foundations and the active participation of companies within the corporation, they continue to promote and donate to various social welfare undertakings, such as:</p> <p>A. Nearly 1.15 million doses of Streptococcus pneumonia vaccines to promote the free vaccination program for the elderly over 75 years old to improve their health and quality of life.</p> <p>B. Continue to promote the "Professional Service of Early Treatment Effectiveness Improvement Program" to systematically and comprehensively improve the quality of Taiwan's overall early treatment services. Currently, 92 institutions have been provided with relevant medical assistance and subsidies; and an "early treatment professional communication platform" has been established. Information on national early treatment activities, treatment articles, and teaching files are shared.</p> <p>C. Support the inmates: donated to the Yunlin Second Prison, Kaohsiung Prison, and Taipei Prison to handle the Wang Jhan-Yang Foundation Rainbow Project (drug-addicted HIV inmates), with three courses of physiological education, psychological counseling, and vocational training the project assists drug-addicted prisoners with HIV to cultivate life skills, repair family relationships and reintegrate into society. Cooperation with Yunlin Second Prison and Kaohsiung Prison to handle the Wang Jhan-Yang charitable trust fund Xiangyang project (drug inmates) to assist inmates in returning to the society is also conducted. Collaboration with the Correctional Affairs Department of the Ministry of Justice in 2017 to expand the Xiangyang Project in three prisons including Hualien Prison, Tainan Prison, and Kaohsiung Women's Prison.</p> <p>D. Promote various scholarships and work-study programs: such as the Children's Education Assistance Program, Disadvantaged Student Scholarship, and the Student Financial Aid Program in Remote Areas, to help the economically disadvantaged or disabled children and young students to be able to receive education unhindered. The Excellent Talents Development Program provides long-term scholarships for outstanding students from disadvantaged backgrounds to assist them in academic and moral development. In addition, we will promote semester and summer work-study programs, match students to work in social welfare institutions, cultivate the service spirit of students contributing to society, and reduce institutional operating costs and expenditures to serve more vulnerable people.</p> <p>E. Women and Children's Welfare: a. Promote the nutritional breakfast subsidy for the vulnerable children in the neighboring 7 Township for</p>			

Evaluation Item	Implementation Status (Note1)		Deviations from the Corporate Social Responsibility Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	
	<p>Mailiao Factory, b. Promote the economic assistance program for victims of domestic abuse, c. Promote the medical treatment and economic assistance of patients with rare diseases, d. Donation to Taitung and Hualien English Assistance Program, an introduction of outstanding American college students to primary schools in remote areas for English teaching, e. Promote the nutritional breakfast subsidy for the vulnerable Junior High School students of Pingtung County, f. Donation the nutritional lunch subsidy for all public elementary and junior high school students of Yunlin County, g. Donation Scholarship for Orphan, h. Donation living expenses for Preschool children from disadvantaged families.</p> <p>F. Elderly welfare: a. promote the elderly housing improvement and appliance donation plan, b. Mailiao and Taixi Township meal delivery plan for elderly living alone, c. promote the “Active Aging Center” corporately in Taiwan. Members in this center would participate in five major classes (of the elderly) through package-based individual planning courses, including health management, brain training, vitality, physical training and social participation, to maintain their health, preventing disability, and effectiveness of helping healthy elderly people improve, d. Donate to the elderly daycare center shuttle bus and dream plan, e. Elderly welfare institution lighting improvements plan, f. Donation daycare and health promotion for elder in Remote Areas.</p> <p>G. Vulnerable group support: a. Donation to social welfare institutions daily necessities and rice, b. The low-income households near Mailiao factory receive gifts and bonus for the three most important Chinese holidays c. Emergency Allowances plan, d. Donation of daily necessities to the Christian Relief Association food bank, e. Promoting Homeless Assistance Program, including the establishment of supportive housing and the subsidy of kitchen facilities, to support the homeless to live as independently as possible within their community., f. Promote 「The design and implementation of intelligent support system in long term care 」 and 「Love Health Volunteer Promotion Program 」.</p> <p>H. Promote the development of Taiwan's distinctive culture: sponsoring the "Ming Hwa Yuan Art &amp; Cultural Group", "I Wan Jan Puppet Theater ", "If kids Theatre", "Apple Theatre" to go on tours in the countryside.</p> <p>I. Promote the Wang Jhan-Yang charitable trust fund " Burning Star Project" to cultivate outstanding sports talents, "Future Star Project " sports talents abroad training programs and sports player medical protection programs to help domestic sports talents improve their performance.</p>		

Evaluation Item	Implementation Status (Note1)		Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary(Note2)
J. Institutional support: a. Donation of social welfare institutions to purchase facilities and equipment and construction and repair (34 social welfare institutions), b. Donate funds for vulnerable groups to help plan(Kaohsiung City Government, Taoyuan City Government, Keelung City Government, Chia Yi County Government) ,c. donation of mooncakes to social welfare institutions.			

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

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

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

#### 4.6 Fulfillment of Code of Ethics and Business Conduct and measures adopted :

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

Evaluation Item	Implementation Status (Note1)		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	
<p>1. Stipulating policies and plans for ethical corporate management</p> <p>(1) Has the Company established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors, and clearly stipulated regulations and policies for ethical business conduct and relevant guidelines in company articles and external documents? Does the Company's Directors and management team actively fulfill their commitment to corporate policies?</p> <p>(2) Has the company established a risk assessment mechanism against unethical conduct,</p>	✓		<p>(1) The Company complies with the Company Act, the securities trading law, and other related regulations, and upholding the “Diligence, Perseverance, Frugality and Trustworthiness” enterprise spirit in order to comply with the law and ethical standards. With the business philosophy of honesty, integrity, fairness, and transparency, self-discipline, and responsibility, the Company has established the Code of Ethics and Business Conduct, which have been approved by the Board of Directors. With the Company's President Office as the driving unit to formulate and implement various ethical policies, the Company establishes a good corporate governance and risk control mechanism, to seek sustainable development of the Company. The Board of Directors and management also promises to actively implement and supervise the implementation of the integrity management policy.</p> <p>(2) a. The Company has established strict rules of conduct and ethics in the rules and regulations such as the “Personnel Management Rules” and “Working Rules”, and has specified the relevant reward and punishment regulations. Directors, managers, Ethical Management</p>

Evaluation Item	Implementation Status (Note1)		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	
regularly analyzed business activities within their business scope which are at a higher risk of being involved in unethical conduct? Does the company establish prevention programs accordingly including measures prescribed in Article 7 Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?		<p>servants of the Company, or those who have substantial control capabilities are prohibited from providing, pledge, requesting or accepting any illegitimate interests directly or indirectly, or making other violations of good faith, illegality, or breach of fiduciary duty to prevent malpractice, misappropriation of public funds, acceptance of bribes, disclosure or lies, and other acts of dishonesty.</p> <p>b. The Company analyzes and assess periodically business activities within their business scope which are at a higher risk of being involved in unethical conduct. For those who engage in business activities with a high risk of dishonest behavior, the company has clearly established "Personnel Management Rules" and "Working Rules" which state that positions of interest for business, procurement, contracting, supervision, and budgeting, as well as contact with other manufacturers shall not accept business dinners or other entertainment activities invited by the manufacturer, nor accept the property or other interests of gifts. The offenders shall be excused from office and their Supervisors shall be jointly and severally punished. Besides, related duties have comprehensively promoted regular rotation operations to prevent the occurrence of any corruption.</p> <p>(3) The Company has clearly stipulated regulations and policies for ethical business conduct and relevant guidelines, code of conduct, whistleblowing, punitive measures for violations, and grievances in company articles and systems, including the "Personnel Management Rules," "Code of Ethics and Business Conduct," "Guidelines for Prevention of Insider Trading," "Whistleblowing Procedures," and "Guidelines to Employee Grievances." The Company has established "Ethical Code of Conduct" for the Directors and Managers of the Company to adhere to (please</p>	and Guidelines for Conduct" have not been set up, relevant regulations have been clearly defined in other articles and systems and carried out in practice.
(3) Has the Company established action plans to prevent unethical conduct? Has the Company clearly prescribed procedures, code of conduct, punitive measures for violations and appeal systems	✓		In compliance with Article 7, paragraph 1 and Article 10-13 of the "Ethical Corporate Management Best Practice Principles

Evaluation Item	Implementation Status (Note1)		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	
within the said plan? Did the action plans be implemented accordingly?			refer to page 79 of the annual report.). The adequacy and effectiveness of regulations and policies for ethical business conduct were reviewed on a regular basis °
2. Implementing ethical corporate management (1) Has the Company evaluated ethical records of its counterparty? Does the contract signed by the Company and its trading counterparty clearly provide terms on ethical conduct?	✓		(1) The contract signed by the Company for commercial activities is subject to the terms of good faith. In addition, the Company conduct inquiries such as honesty investigations for customers, suppliers, and other stakeholders to avoid the occurrence of dishonest behavior and damage of the Company's rights and interests.
(2) Has the Company designated an exclusively (or concurrently) dedicated unit reports its ethical business management policy, action plans to prevent unethical conduct, and implementation status of supervisory measures to the Board of Directors?	✓		(2) The President Office of the Company and the general management office of the whole enterprise are in charge of promoting ethical business. They promote regulations and policies for ethical business conduct. In addition, they handle and verifies whistleblowing cases based on the Company's Whistleblowing Procedure. The department in charge of promoting ethical business reports its ethical business management policy, and action plans to prevent unethical conduct to the Board of Directors at least once per year. The most recent report dated is on December 12th, 2019. They mainly report the ethical corporate management policies, measures, implementation status of supervisory measures and commitments of the board of directors and management to implement business policies actively. Additionally, the internal audit report is submitted to the Independent Director monthly.

Evaluation Item	Implementation Status (Note1)		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	
(3) Has the Company established policies preventing conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?	✓		<p>(3) a. The Company's standards for the Board of Directors meetings has clearly states that if Directors or the juridical persons they represented have a personal interest, they shall state the key aspects of the interest in the meeting. If their interest may prejudice the interests of the Company, the persons concerned shall not participate in the discussion and voting of those items and shall recuse themselves from those sessions. Also, they shall not stand proxy for other Directors to exercise the voting right on those items.</p> <p>b. The Company has stated in its "Personnel Management Rules" that employees should strictly abide by the code of conduct for avoidance of interests and proactively report ethical concerns such as conflicts of interest, and have provisions prohibiting competition to prevent conflicts of interest.</p> <p>c. The Company has provisions for "operational key-points for employee complaints" and " Reporting Procedure ", etc., and provides specific reporting channels for reporting any illegal or improper behavior.</p>
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Did internal auditors establish relevant audit plan to verify the status of compliance with unethical conduct prevention	✓		<p>(4) The Company has established an effective and improved accounting system and internal control mechanism, and fully implemented computerization of operations. The six management functions of personnel, finance, business, production, materials, and engineering are connected by computers, layer by layer, and executed for management of any abnormalities. In addition, the Company also established a professional and independent internal audit structure. The structure is divided into three levels. The first level is carried out by the Auditing Office attached to the Company's Board of Directors, and the second level is routine and project-based independent auditing carried out by the general management office for routines and projects. Moreover,</p>

Evaluation Item	Implementation Status (Note1)		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	
<p>action plans based on the result of risk assessment on unethical conduct? Did the Company entrust audits to a CPA?</p> <p>(5) Does the Company regularly organize internal and external training for ethical corporate management?</p>	✓	<p>since internal auditing is the duty of all employees, the third level of auditing requires all departments to conduct voluntary operation inspections (on a monthly, quarterly, semi-annual, or annual basis) to extend the concept internal control to all levels of the Company.</p> <p>(5) Through regular corporate publications as well as various occasions, the Company promotes the corporate culture of "Diligence, Perseverance, Frugality and Trustworthiness," as well as cultivating work ethics based on integrity, fairness and transparency, self-discipline, and a sense of responsibility. All new recruits receive corporate culture training. In addition, training courses about regulations, anti-fraud, and anti-corruption are held every year to strengthen the employees' commitment to complying with management rules based on good faith. Besides, the company arranges courses such as regulations, preventions, and anti-corruption for the training of new recruits, internal auditors, supervisory reserved, and cross-functional. This strengthens the company commitment to follow the integrity management rules. In 2019, a total of 639 participants participated the training, the training hours is 4,586 in total, and the average hours per person was 7.2.</p>	<p>In compliance with Article 22-2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."</p>
<p>3. Status for enforcing whistle-blowing systems in the Company</p> <p>(1) Has the Company established concrete whistle-blowing and reward systems as well as</p>	✓	<p>The Company has a "Employee Grievance Procedure" and "Internal and External Reporting Procedure of Unlawful and Unethical Behaviors" to provide a specific reporting and reward system:</p> <p>(1) Providing multiple reporting channels such as actual mailboxes, e-mail boxes, and fax lines. Visible notices are placed around the main entrances to be used by informants.</p> <p>(2) After a case is filed, the relevant team members of the general management office of</p>	<p>In compliance with Article 23 of the "Ethical Corporate</p>



Evaluation Item	Implementation Status (Note1)		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	
<p>accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?</p> <p>(2) Has the Company established standard operating procedures (SOP) for whistleblowing cases, follow-up measures and relevant systems of confidentiality after the investigation?</p> <p>(3) Has the Company adopted protection measures against inappropriate disciplinary actions for the whistle-blower?</p>	✓	<p>the whole enterprise shall be responsible for the procedures of case review, filing, and follow-up investigation.</p> <p>(3) The principle of confidentiality: During and after an investigation, it is strictly forbidden to disclose any information to unrelated parties. Supervisors at all levels must also keep information confidential. All relevant information must be processed and archived according to the confidential document procedures to ensure the informant does not experience any unjust setback.</p> <p>(4) Where the occurrence of illegal or improper act has been found to be true, punitive actions will be taken based on the "Personnel Management Rules". Judicial or prosecuting institutions will be alerted when necessary.</p>	Management Best Practice Principles for TWSE/GTSM Listed Companies."
<p>4. Improvement of information disclosure</p> <p>(1) Does the Company disclose its ethical corporate</p>	✓	<p>Information on integrity management and ethical behavior has been disclosed on both Chinese and English website of the Company.</p>	In compliance with Article 25 of the

Evaluation Item	Implementation Status (Note1)		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons
	Yes	No	
management policies and the results of its implementation on the Company's website and MOPS?			"Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed
<p>5. If the Company has established the Code of Ethics and Business Conduct based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe any deviations between the Code of Ethics and Business Conduct and their implementations :</p> <p>On November 6th, 2014, the Company passed the resolution of the "Corporate Integrity Code of Practice", which was amended by the resolution of the Board of Directors on June 15th, 2015. The code was slightly revised according to the Company's practice, but in line with spirit of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."</p>			
<p>6. Other information helpful for understanding the principle of integrity of the Company's operations (e.g., the Company's amendment of its principles of integrity):</p> <p>The Company schedules corporate governance courses for Directors and managers on a regular basis to strengthen their ability in supervision and governance, with the hopes of increasing the effectiveness of governance and implementation of integrity operation.</p>			

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

4.7 If the Company has formulated Corporate Governance Guidelines and related regulations, the way for inquiries should be disclosed:

The company's Corporate Governance Guidelines and related regulations have been disclosed on the company website for inquiries.

4.8 Other important information to improve the understanding of corporate governance operation should be disclosed as well:

1. Certification of Employees Whose Jobs are Related to the Release of the Company's Financial Information

Audit Department: One employee with Certified Internal Auditor (CIA) Certification and six employees with Certified Internal controller of corporation

Finance Department: None.

Accounting Department: None.

2. Company Procedures for Handling Material inside Information

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

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

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

(4) All the above regulations are published in the company's internal information management system, employees can inquire at any time, and when the content is revised, system will forward to the employees' personal mailbox.

3. Manager participated in Corporate Governance related training situation in 2018:

Title	Name	Date	Organization	Course	Training hours
Auditing Officer	Fu-Jen Ho	2019.11.15	Securities and Futures Institute	Avoid Crossing the Lines of the Securities and Exchange Act: Examples of False Information in the Financial Report and Insider Trading	3
Financing Officer	Chien-Tang Tsai				
Accounting Officer	Tsung-Lin Chen	2019.11.15	Dharma Drum Mountain Humanities and Social Improvement Foundation	Enterprise Value Innovation of the CSR Series	3
Accounting Officer	Tsung-Lin Chen	2019.08.15 ~ 2019.08.16	Accounting Research And Development Foundation	Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Chief Governance Officer	Chien-Tang Tsai	2019.11.05	Taiwan Independent Director Association	How to Interpret Key Enterprise Financial Information to Better Predict Financial Crisis	3
		2019.11.20		Protection for Independent Directors: How to Fulfill Responsibilities and Avoid Breaking the Law	3
		2019.12.19		Intellectual Property Rights: from the Perspective of Trade Secret	3

4. The Company has established the Code of Ethical Conducts of Directors and Managers, and the content is set out below:

**Code of Ethical Conduct for Directors and Managers of Formosa Petrochemical Corporation**

Amended by the Board of Directors on August 6th, 2015

**Chapter 1 General**

Article 1 The Principles of Conduct for Directors and Managers (hereinafter referred to as the "Principles") is formulated with the aim to set up the compliance rules for ethical behaviors performed by the Company's Directors and managers (including President, Executive Vice Presidents, Senior Executive Vice Presidents, Vice Presidents, financial supervisor, accounting supervisor, and other personnel who have the power to manage the company's affairs and are

the company's authorized signatories) in their duties. The Principles is aimed to prevent unethical behaviors and those that may cause harm to the Company's and shareholders' interests.

## **Chapter 2     Content of the Code of Ethical Conduct**

- Article 2     Directors and managers shall treat the Company's affairs in disciplined manners which are in honesty, in compliance with laws, and in fairness and justice.
- Article 3     Directors and managers shall avoid involvement into the conflict of interests with personal benefit or possible involvement into the conflict of interests with the benefit of the Company as a whole, including but not limited to the employee's inability to handle the Company's affairs in a manner that is objective and efficient, the kind of benefit obtained by the employee, the employee's spouse, parents, children, or relatives within the second degree of kinship by taking advantages of the employee's official position. To prevent conflict of interest, any loans, guarantees, or significant asset transactions of the Company which involve the aforementioned employees or the Company's affiliates shall be subject to the review of the Board of Directors. Relevant purchase (sales) of goods shall be performed at the best interest of the Company.
- Article 4     When the Company is in the face of the opportunity of making profit, Directors and managers shall try best to maintain the Company's legitimate profitability and interest in such situations.
- Directors and managers shall not use the Company's property or information for private use, or obtain personal interest by taking advantage of his/her official positions. Except for being permitted by the Company Act or the Company's Articles of Incorporation, the aforementioned personnel are not allowed to engage in any business that competes with the Company.
- Article 5     Directors and managers shall be responsible for the confidentiality of the Company's and its vendors' (customers') information, unless being authorized or permitted by laws. Confidential information includes all undisclosed information that may be disclosed or used by competitors to cause harm to the Company or its customers.
- Article 6     Directors and managers shall treat the Company's vendors, customers, competitors, and employees in fairness, and shall not receive improper benefits by manipulating, concealing, or abusing any information acquired in his/her official duties. Nor shall the aforementioned personnel make any faulty comment on the Company's major events, or use other unfair methods.
- Article 7     Directors and managers shall protect corporate assets used for official needs, and prevent the Company's assets from theft, negligence, or wasting, which may thereby impact the Company's profitability.

- Article 8 Directors and managers shall comply with regulations stipulated in various laws, the Company's rules and systems.
- Article 9 When an employee discovers that a Director or a manager's behavior is not in compliance with laws, regulations or the Principles, the employee shall report to the Audit Committee, direct supervisor, the human resource personnel in the President's Office, the internal audit supervisor, or other appropriate personnel, with sufficient information provided. If the reported misconduct is confirmed, the Company will reward the whistleblower in accordance with the Rules of Human Resource Management.
- The Company shall properly handle the aforementioned reported information in confidential and responsible manners, and shall fully protect the bona fide whistleblower's safety to prevent any forms of retaliation.
- Article 10 If a Director or a manager violates the provisions of the Principles, after the evidence is verified, the Director or manager shall be reported to the Board of Directors in addition to being punished in accordance with the Rules of Human Resource Management. Non-compliant employees shall be civilly, criminally, and administratively liable for their violations. Relevant information such as the cause of violation, the standards violated, and the treatment status will also be disclosed immediately in the Market Observation Post System (MOPS) website.

### **Chapter 3 Exemption procedures**

- Article 11 The Board of Directors shall, under special circumstances, make a proposal to waive a Director's or a manager's compliance with the Principles, the resolution shall be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of Directors. Also, on the Market Observation Post System (MOPS) website, it shall immediately disclose relevant information such as the date of approval of the Board of Directors' meeting, Independent Directors' opinion or reserved opinions, duration of the exemption, reasons for the exemption, and standards applicable to the exemption, in order for shareholders to assess the appropriateness of the decision and ensure that the Company's interest is protected.

### **Chapter 4 Methods of Information Disclosure**

- Article 12 The Principles shall be disclosed on the Company's website, annual report, prospectuses, and the Market Observation Post System. The same procedure applies to any amendments.

### **Chapter 5 Supplementary Provisions**

- Article 13 The Principles shall be implemented after the approval of the Board of Directors, and shall be submitted to the shareholders' meeting. The same procedure applies to any amendments.

## 4.9 Implementation Status of the Internal Control System

### 1. Internal Control System Statement

#### **Formosa Petrochemical Corporation**

##### Internal Control System Statement

Date: 2020.03.09

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

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: (1) Control environment (2) Risk assessment (3) Control activities (4) Information and communications (5) Monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that on 2019.12.31 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance of reporting, and compliance with applicable laws, regulations, and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors Meeting of the Company held on 2020.03.09, 13 of attending directors all affirmed the content of this Statement.

Formosa Petrochemical Corporation

Chairman: Bao-Lang Chen

President: Mihn Tsao

2. Where a CPA is commissioned to conduct a review on the internal control system, disclose the CPA's audit report: None.

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

4.11 Important resolutions of a shareholders' meeting or a Board of Directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

### **(1) Annual shareholders' meeting held on May 31st, 2019**

#### **Adopted Proposals**

##### **Proposal 1**

Subject: Please approve all annual final accounting books and statements for 2018 are submitted in accordance with laws. (Proposed by the Board of Directors)

Resolution: Total voting rights: 9,261,004,057 shares Result: Approval votes – 9,099,872,512 shares (including 9,063,158,483 shares via electronic voting) – representing 98.3% of total voting rights Disapproval votes – 38,352 shares (including 38,352 shares via electronic voting) Invalid vote – 0 shares Abstention votes/no votes – 161,093,193 shares (including 151,516,876 shares via electronic voting) Approved. The number of approval votes exceeds required minimum shares.

Implementation status: Approved as the resolution of the shareholders' meeting.

##### **Proposal 2**

Subject: Please approve the proposal for the retained earnings distribution of 2018 by law. (Proposed by the Board of Directors)

Resolution: Total voting rights: 9,261,004,057 shares Result: Approval votes – 9,105,800,871 shares (including 9,069,086,842 shares via electronic voting) – representing 98.3% of total voting rights Disapproval votes – 45,752 shares (including 45,752 shares via electronic voting) Invalid vote – 0 shares Abstention votes/no votes – 155,157,434 shares (including 145,581,117 shares via electronic voting) Approved. The number of approval votes exceeds required minimum shares.

Implementation status: Upon the approval of the 2019 Annual Shareholders' Meeting, it is proposed that cash dividend per share is NT\$4.8; all Directors in attendance in the Board meeting approved to set the ex-dividend date on June 26th, 2019 and the distribution date on July 25th, 2019.

#### **Discussed Items**

##### **Proposal 1**

Subject: Please approve the proposal to amend the Procedures for Acquisition and Disposal of Assets of the Company. Please discuss and resolve. (Proposed by the Board of Directors)

Resolution: Total voting rights: 9,261,004,057 shares Result: Approval votes – 9,096,852,813 shares (including 9,060,138,784 shares via electronic voting) –



representing 98.2% of total voting rights Disapproval votes – 36,534 shares (including 36,534 shares via electronic voting) Invalid vote – 0 shares Abstention votes / no votes – 164,114,710 shares (including 154,538,393 shares via electronic voting) Approved. The number of approval votes exceeds required minimum shares.

Implementation status: The amendment is adopted as the resolution of the shareholders' meeting.

### **Proposal 2**

Subject: Please approve the proposal to amend the Procedures for Engaging in Derivatives Transactions of the Company. (Proposed by the Board of Directors)

Resolution: Total voting rights: 9,261,004,057 shares Result: Approval votes – 9,096,850,813 shares (including 9,060,136,784 shares via electronic voting) – representing 98.2% of total voting rights Disapproval votes – 39,534 shares (including 39,534 shares via electronic voting) Invalid vote – 0 shares Abstention votes/no votes – 164,113,710 shares (including 154,537,393 shares via electronic voting) Approved. The number of approval votes exceeds required minimum shares.

Implementation status: The amendment is adopted as the resolution of the shareholders' meeting.

### **Proposal 3**

Subject: Please approve the proposal to amend the Procedures for Loaning Funds to other Parties of the Company. (Proposed by the Board of Directors)

Resolution: Total voting rights: 9,261,004,057 shares Result: Approval votes – 9,096,845,780 shares (including 9,060,131,751 shares via electronic voting) – representing 98.2% of total voting rights Disapproval votes – 42,577 shares (including 42,577 shares via electronic voting) Invalid vote – 0 shares Abstention votes/no votes – 164,115,700 shares (including 154,539,383 shares via electronic voting) Approved. The number of approval votes exceeds required minimum shares.

Implementation status: The amendment is adopted as the resolution of the shareholders' meeting.

### **Proposal 4**

Subject: Please approve the proposal to amend the Procedures for Providing Endorsements and Guarantees to other Parties of the Company. (Proposed by the Board of Directors)

Resolution: Total voting rights: 9,261,004,057 shares Result: Approval votes – 9,096,133,751 shares (including 9,060,133,751 shares via electronic voting) – representing 98.2% of total voting rights Disapproval votes – 42,577 shares (including 42,577 shares via electronic voting) Invalid vote – 0 shares Abstention votes/no votes – 164,113,700 shares (including 154,537,383 shares via electronic voting) Approved. The number of approval votes exceeds required minimum shares.

Implementation status: The amendment is adopted as the resolution of the shareholders' meeting.

## **(2) March 11th, 2019: 1st Board Meeting of 2019**

### **Proposal 1**

Subject: Please approve the proposal to appropriate employees' compensation for 2018. Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange

Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present and submitted to 2019 annual shareholders' meeting for resolution.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

## **Proposal 2**

Subject: Please approve the proposal to prepare for the annual final accounting books and statements for 2018 and to formulate the operational plan for 2019.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Submitted to the annual shareholders' meeting on May 31th, 2019 for resolution.

## **Proposal 3**

Subject: Please approve the proposal for the preparation of 2018 Retained Earnings Distribution Table.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Submitted to the shareholders' meeting on May 31th, 2019 for resolution.

## **Proposal 4**

Subject: Please approve the proposal for holding the 2019 Annual Shareholders' Meeting on May 29th, 2020.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

## **Proposal 5**

Subject: Please approve the proposal to prepare for the Company's Statement of Internal Control System.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 6**

Subject: Please approve the proposal to amend the Procedures for Acquisition and Disposal of Assets, the Procedures for Engaging in Derivatives Transactions, the Procedures for Loaning Funds to other Parties and the Procedures for Providing Endorsements and Guarantees to other Parties of the Company.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: The proposal was approved unanimously by all the Directors present and submitted to 2019 annual shareholders' meeting for resolution.

Implementation status: Submitted to the shareholders' meeting on May 31th, 2019 for resolution.

### **Proposal 7**

Subject: Please approve the proposal to make transactions with related parties.

Recusal: There were three people, Managing Directors Wen-Yuan Wong and Wilfred Wang, and Director Mihn Tsao, who requested to recuse themselves due to their positions as Managing Directors, Directors, or representatives of institutional shareholders for the Company's affiliates.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors who recused themselves from the vote due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 8**

Subject: Please approve the proposal to prepare for the Company's funding and loaning

plan for second quarter of 2019.

Recusal: There were six people, the Chairman, Managing Directors, Wen-Yuan Wong, Susan Wang and Wilfred Wang, and Directors, Mihn Tsao and Audit Officer, Fu-Jen Ho, who requested to recuse themselves due to their positions as Managing Directors, Directors, supervisor or representatives of institutional shareholders for the loaning companies. Managing Director C.P Chang was designated as acting chairman by the Chairman for the vote.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors who recused themselves from the vote due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

#### **Proposal 9**

Subject: Please approve the proposal to invest an additional US\$85.5 million in FG INC with the current investment portfolio.

Recusal: Directors, Keh-Yen Lin, who requested to recuse himself due to his positions as Directors for FG INC.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Director who recused himself from the vote due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

#### **Proposal 10**

Subject: The Company plans to issue NT\$12 billion of domestic unsecured ordinary corporate bond with the aim to acquire long-term fund for the repayment of liabilities and supplement working capital. Please approve.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting. And

has been implemented according to market conditions.

### **(3) May 6th, 2019: 2nd Board Meeting of 2019**

#### **Proposal 1**

Subject: Please approve the proposal to amend the Procedures of Internal control system for stock operations.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

#### **Proposal 2**

Subject: Please approve the proposal to make transactions with related parties.

Recusal: Director Mihn Tsao, who requested to recuse himself due to their positions as institutional shareholders for Nan Ya Plastics Corporation.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors, Mihn Tsao who recused themselves From the vote due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

#### **Proposal 3**

Subject: Please approve proposal to prepare for the Company's funding and loaning plan for the third quarter of 2019.

Recusal: There were three people, the Chairman, Managing Directors, Susan Wang and Director Mihn Tsao who requested to recuse themselves due to their positions as the Managing Directors, Directors, or representatives of institutional shareholders for the loaning companies. Independent Director C.P Chang was designated as acting chairman by the Chairman for the vote.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution

of the Audit Committee.

Resolution of the Board: Except for the above Directors who recused themselves from the vote due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

#### **Proposal 4**

Subject: The Company plans to donate NT\$13,917,000 to Ming Chi University of Technology. Please approve.

Recusal: The Chairman was requested to recuse himself from voting due to his position as Director of Ming Chi University of Technology. Independent Director C.P Chang was designated as acting chairman by the Chairman for the vote.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the Chairman who recused himself from voting due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

#### **Proposal 5**

Subject: Please approve the proposal to amend the Principle of Corporate Governance.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

#### **Proposal 6**

Subject: Please approve the proposal to appoint the first Chief Governance Officer.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

#### **Proposal 7**

Subject: Please approve the proposal to draw up the Standard Operation Procedure to handle directors' requests.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act:

None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

**(4) May 31th, 2019: 3rd Board Meeting of 2018**

**Proposal 1**

Subject: Please vote the proposal to set up the ex-dividend date and distribution date for the destruction of 2018 earnings.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

**Proposal 2**

Subject: The Company plans to renew the following Statement of Bank Credit Lines due to operational requirements. Please approve.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

**Proposal 3**

Subject: Please approve the proposal for the new appointment of manager position.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: The proposal is adopted as the resolution of the Board meeting, and the registration of the election result is authorized by Official Letter No. 10801073170 issued by the Ministry of Economic Affairs on June 20th, 2019.

**(5) August 7th, 2019: 4th Board Meeting of 2018**

**Proposal 1**

Subject: Please approve the proposal to make transactions with related parties.

Recusal: There were two people, Managing Directors Wen-Yuan Wong and Director Mihn Tsao, who requested to recuse themselves due to their positions as Managing Directors, Directors, or representatives of institutional shareholders for the Company's affiliates.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act:

Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors who recused themselves from voting due to conflict of interest, the proposal was unanimously approved by all other Directors.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

## **Proposal 2**

Subject: Please approve the proposal to prepare for the Company's funding and loaning plan for the fourth quarter of 2019.

Recusal: There were five people, the Chairman, Managing Directors Wen-Yuan Wong, Susan Wang, and Directors Mihn Tsao, Walter Wang, who requested to recuse themselves due to their positions as chairman, Managing Directors, Directors, or representatives of institutional shareholders for the loaning companies. Managing Director C.P Chang was designated as acting chairman by the Chairman for the vote.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors who recused themselves from voting due to conflict of interest, the proposal was unanimously approved by all other Directors.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

## **Proposal 3**

Subject: Please approve the proposal to invest an additional US\$81.25 million in Formosa Resources Corporation.

Recusal: Managing Directors Wen-Yuan Wong, who requested to recuse himself from voting due to his positions as the Chairman of Formosa Resources Corporation.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Director who recused themselves from voting due to conflict of interest, the proposal was unanimously approved by all other Directors.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.



**Proposal 4**

Subject: The degree of compensation adjustment in 2019 for the Company's managerial officers are proposed to be in line with the whole employees' compensation.

Please approve.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

**(6) October 31st, 2019: 5th Board Meeting of 2019****Proposal 1**

Subject: Proposal to make transactions with related parties. Please vote.

Recusal: There were three people, Managing Director Wen-Yuan Wang, Wilfred Wang and Director Mihn Tsao, who requested to recuse themselves from voting due to their positions As Managing Directors or representatives of institutional shareholders for the Company's affiliates.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution.

The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors who recused themselves from voting due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

**Proposal 2**

Subject: Please approve the proposal to prepare for the Company's funding and loaning plan for the first quarter of 2020.

Recusal: There were eight people, the Chairman, Managing Directors Wen-Yuan Wong, Susan Wang and Wilfred Wang, and Directors Mihn Tsao, Keh-Yen Lin, Jui-Shih Chen, \ and Te-Hsiung Hsu, who requested to recuse themselves from voting due to their positions as the Chairman, Managing Directors, Directors, or representatives of institutional shareholders for the loaning companies. Managing Director C.P Chang was designated as acting chairman by the Chairman for the vote.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution.

The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors who recused themselves from voting due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 3**

Subject: The Company plans to donate NT\$6,141,239 to Chang Gung University. Please approve.

Recusal: There were three people, the Chairman, Managing Director Wen-Yuan Wong, Wilfred Wang, and Director Mihn Tsao, was requested to recuse themselves from voting due to his position as the Chairman and Directors of Chang Gung University.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors who recused themselves from voting due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **(7) December 12th, 2019: 6th Board Meeting of 2019**

#### **Proposal 1**

Subject: Please approve the proposal to formulate the annual audit plan for 2020.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: The annual audit plan for 2020 has been reported in accordance with regulations.

#### **Proposal 2**

Subject: Proposal to make transactions with related parties. Please vote.

Recusal: There were three people, Managing Director Wen-Yuan Wang, Wilfred Wang and Director Mihn Tsao, who requested to recuse themselves from voting due to their positions As Managing Directors or representatives of institutional shareholders for the Company's affiliates.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors who recused themselves from voting due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 3**

Subject: Please approve the proposal to invest an additional NT\$46 million in Formosa Synthetic Rubber Corporation.

Recusal: Managing Directors Wilfred Wong and Wen-Yuan Wong, who requested to recuse themselves from voting due the positions as the Chairman of Formosa Synthetic Rubber Corporation and within two generation blood relatives in mutual.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Director who recused themselves from voting due to conflict of interest, the proposal was unanimously approved by all other Directors.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 4**

Subject: The Company proposes to revise its Procedures for Distributing Year-end Bonus and Remuneration as the 5-year implementation cycle of the current institutionalized formula for the distribution of year-end bonus has expired.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 5**

Subject: The Company plans to renew the following Statement of Bank Credit Lines due to operational requirements. Please approve.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

## **(8) March 9th, 2020: 1st Board Meeting of 2020**

### **Proposal 1**

Subject: Please approve the proposal to appropriate employees' compensation for 2019.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None

Resolution of the Board: The proposal was approved unanimously by all the Directors present and submitted to 2020 annual shareholders' meeting for resolution.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 2**

Subject: Please approve the proposal to prepare for the annual final accounting books and statements for 2019 and to formulate the operational plan for 2020.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution.

The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: The proposal will be submitted to the annual shareholders' meeting on May 29th, 2020.

### **Proposal 3**

Subject: Please approve the proposal to prepare for the Retained Earning Distribution Table for 2019.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: The proposal will be submitted to the annual shareholders' meeting on May 29th, 2020.

### **Proposal 4**

Subject: Please approve the proposal for holding the 2019 Annual Shareholders' Meeting on May 29th, 2020.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 5**

Subject: Please approve the proposal to prepare for the Company's Statement of Internal

Control System.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 6**

Subject: Please approve the proposal to amend the Internal Control System and the Enforcement Rules of the Internal Control System in the preparation of its financial statements.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 7**

Subject: Please approve the proposal to make transactions with related parties.

Recusal: There were three people, Managing Directors Wen-Yuan Wong and Wilfred Wang, and Director Mihn Tsao, who requested to recuse themselves from voting due to their positions as Managing Directors, Directors, or representatives of institutional shareholders for the Company's affiliates.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors who recused themselves from voting due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 8**

Subject: Please approve the proposal to prepare for the Company's funding and loaning plan for the second quarter of 2020.

Recusal: There were five people, the Chairman, Managing Directors Wen-Yuan Wong, and Wilfred Wang, and Directors Mihn Tsao and internal audit Supervisor, Fu-Jen Ho, who requested to recuse themselves from voting due to their positions as chairman, Managing Directors, Directors, Supervisors, or representatives of institutional shareholders for the loaning companies. Director C.P Chang was designated as acting chairman by the Chairman for the vote.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the above Directors who abstained themselves from the vote due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 9**

Case: The Company plans to invest additional US\$24.51 million in FG INC with the current investment portfolio. Please approve.

Recusal: Director Keh-Yen Lin was requested to recuse himself from voting due to his position as Director of FG Inc.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: Yes.

Resolution of the Audit Committee: The proposal was approved unanimously by all the members of the Audit Committee present and submitted to the Board meeting for resolution. The Company's response to the opinions of the Audit Committee: Adopted as the resolution of the Audit Committee.

Resolution of the Board: Except for the Director Keh-Yen Lin, who recused himself from voting due to conflict of interest, the proposal was unanimously approved by all other Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

### **Proposal 10**

Subject: The Company proposes to adjust the structure of the investment in FPCC Marine Corporation (BVI).

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

**Proposal 11**

Subject: Please approve the proposal to amend Audit Committee Charter.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

**Proposal 12**

Subject: Please approve the proposal to amend the Rules and Procedures of Board of Directors Meetings

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: The proposal will be submitted to the annual shareholders' meeting on May 29th, 2020.

**Proposal 13**

Subject: Please approve the proposal to amend the Rules and Procedures of Board of Directors Meetings and Rules Governing the Scope of Powers of Independent Directors.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting.

**Proposal 14**

Subject: The Company plans to issue NT\$15 billion of domestic unsecured ordinary corporate bond with the aim to acquire long-term fund for the repayment of liabilities and supplement working capital. Please approve.

Recusal: None.

Independent Directors' opinions and the treatment status: None.

Matters applicable to the provisions of the Article 14-5 of the Securities and Exchange Act: None.

Resolution of the Board: The proposal was approved unanimously by all the Directors present.

Implementation status: Adopted as the resolution of the Board of Directors' meeting. And has been implemented according to market conditions.

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

4.12 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's related principle officers (including chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer): None

## 5. Information Regarding FPCC's Audit Fees

The table of Audit Fees

Name of audit firm	CPA Name		Audit period	Note
Ernst & Young Certified Public Accountants Firm	Li-Huang Lin	Wen-Fun Fu	2019.01.01~2019.12.31	

Unit: NT\$ thousands

Audit Fees Item		Audit Fees	Non-Audit Fees	Total
The spacing of Audit Fees				
1	Under NT\$2,000 thousands	-	790	790
2	NT\$2,000 thousands~NT\$4,000 thousands	-	-	-
3	NT\$4,000 thousands~NT\$6,000 thousands	5,355	-	5,355
4	NT\$6,000 thousands~NT\$8,000 thousands	-	-	-
5	NT\$8,000 thousands~NT\$10,000 thousands	-	-	-
6	Over NT\$10,000 thousands	-	-	-

Unit: NT\$ thousands

Name of audit firm	CPA Name	Audit Fee	Non-audit fee					Audit period	Note
			System Design	Business registration	Human Resources	Other	Total		
Ernst & Young Certified Public Accountants Firm	Li-Huang Lin	5,355	0	0	0	790	790	2019.01.01 ~ 2019.12.31	
	Wen-Fun Fu								

Explanation: Non-audit fees include transfer pricing report of NT\$300,000, the audit of business tax filing using direct deduction method of NT\$120,000, group master file report of NT\$200,000, the County by Country report of NT\$120,000 and the audit of corporate bond of NT\$50,000.

5.1 Where non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit



and non-audit fees as well as details of non-audit services shall be disclosed: None.

5.2 Replaced the audit firm and the audit fee paid to the new audit firm was less than the payment of previous year: None

5.3 Audit fee reduced more than 10% year over year: None

6. Replacement of Independent Auditors : None.

7. The Company's Chairman, President or Managers in charge of Finance or Accounting has been under Current Audit Firm or its Affiliates' Employment in the last two years: None.

8. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

#### 8.1 Changes in Shareholding

Title	Name	2019		As of March 31st, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman(legal representative)	Bao-Lang Chen	0	0	0	0
Managing Director	Formosa Chemicals & Fibre Corp.	0	0	0	0
Managing Director (legal representative)	Wen-Yuan Wong	0	0	0	0
Managing Director	Formosa Plastics Corp.	0	-300,000,000	0	0
Managing Director (legal representative)	Susan Wang	0	0	0	0
Managing Director	Nan Ya Plastics Corp.	0	0	0	0
Managing Director (legal representative)	Welfred Wang		0	0	0
Managing Director	C.P Chang		0	0	0
Independent Director	Yu Cheng		0	0	0
Independent Director	Sush-Der Lee		0	0	0
Director	Walter Wang		0	0	0
Director(legal representative), Adjunct President	Mihn Tsao		0	0	0
Director, Adjunct Executive Vice President	Keh-Yen Lin		0	0	0
Director, Adjunct Senior Vice President	Jui-Shih Chen		0	0	0
Director	Ling-Sheng Ma		0	0	0
Director, Adjunct Vice President	Te-Hsiung Hsu		0	0	0
Director, Adjunct Vice President	Song-Yueh Tsay		0	0	0

Title	Name	2019		As of March 31st, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director, Adjunct Vice President	Wen-Yu Cheng		0	0	0
Senior Vice President	Han-Ting Chen		0	0	0
Vice President	Yu-Lang Chien		0	0	0
Financing Officer	Chien-Tang Tsai		0	0	0
Accounting Officer	Tsung-Lin Chen		0	0	0

Note: Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose them in another table.

8.2 Information of the Equity Interests Transfer: None.

8.3 Information of the Equity Interests Pledge: None.

9. Information of relationship among the Top Ten Shareholders within the relationship of spouse, second-degree of relationship, etc. :

Name (Note 1)	Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Representative of Formosa Plastics Corp.: Chien-Nan Lin	2,720,549,010	28.55%	0	0	0	0	Nan Ya Plastics Corp.	NYPC is one of FPC's Managing Director FPC is one of NYPC's Director	
							Formosa Chemicals & Fibre Corp.	FCFC is one of FPC's Managing Director	
							Formosa Taffeta Co., Ltd.	FTC is one of subsidiary company of Managing Director-FCFC	
							Formosa Plastics Corp.	FCFC is one of FPC's Managing Director	
Representative of Formosa Chemicals & Fibre Corp.: Wen- Yuan Wong	2,300,799,801	24.15%	0	0	0	0	Nan Ya Plastics Corp.	NYPC is one of FCFC's Managing Director FCFC is one of NYPC's Director	
							Formosa Taffeta Co., Ltd.	FTC is one of subsidiary company of FCFC	
							Formosa Plastics Corp.	FPC is one of NYPC's Director NYPC is one of FPC's Managing Director	
Representative of Nan Ya Plastics Corp.: Chia-Chau Wu	2,201,306,014	23.10%	0	0	0	0	Formosa Chemicals & Fibre Corp.	FCFC is one of NYPC's Director NYPC is one of FCFC's Managing Director	
							Formosa Taffeta Co., Ltd.	FTC is one of subsidiary company of Director-FCFC	
							-	-	Wen-Yuan Wong, Chien- Nan Lin and Chia-Chau Wu are the natural person Director of Chang Gung as personal position
Representative of Chang Gung Medical Founder: Jui-Hui Wang	551,360,791	5.78%	0	0	0	0	Formosa Chemicals & Fibre Corp.	FTC is one of subsidiary company of FCFC	
							Formosa Plastics Corp.	FPC and FCFC(FTC's parent company) are in mutual relationship	
							Nan Ya Plastics Corp.	NYPC and FCFC(FTC's parent company) are in mutual relationship	

Name (Note 1)	Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc.	57,210,690	0.60%	0	0	0	0	1. HSBC Bank (Taiwan) Limited In Custody for Power Unlimited Corporation 2. Standard Chartered Bank (Taiwan) Ltd. In Custody for Central Capital Management Inc. 3. HSBC Bank (Taiwan) Limited In Custody for Pacific Light and Power Corporation	Main managers are the same person.	
Chunghua Post Co., Ltd.	49,363,728	0.52%	0	0	0	0	-	-	
HSBC Bank (Taiwan) Limited In Custody for Power Unlimited Corporation	48,157,064	0.51%	0	0	0	0	1. Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc. 2. Standard Chartered Bank (Taiwan) Ltd. In Custody for Central Capital Management Inc. 3. HSBC Bank (Taiwan) Limited In Custody for Pacific Light and Power Corporation	Main managers are the same person.	
Standard Chartered Bank (Taiwan) Ltd. In Custody for Central Capital Management Inc.	46,991,790	0.49%	0	0	0	0	1. Standard Chartered Bank (Taiwan) Ltd. In Custody for Genesis Equity Group Inc. 2. HSBC Bank (Taiwan) Limited In Custody for Power Unlimited Corporation 3. HSBC Bank (Taiwan) Limited In Custody for Pacific Light and Power Corporation	Main managers are the same person.	

Name (Note 1)	Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
HSBC Bank (Taiwan) Limited In Custody for Pacific Light and Power Corporation	45,901,634	0.48%	0	0	0	0	1. Standard Chartered Bank (Taiwan) Ltd.In Custody for Genesis Equity Group Inc. 2. HSBC Bank (Taiwan) Limited In Custody for Power Unlimited Corporation 3. Standard Chartered Bank (Taiwan) Ltd.In Custody for Central Capital Management Inc.	Main managers are the same person.	

Note 1: Shareholders' name should be listed separately ( Legal person shareholders should list the name and representative of the legal person shareholder separately ) 。

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

Unit: Shares; 2019.12.31

Investee (Note 1)	FPCC Investment		Investment of Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by FPCC		Total Investment	
	Shares	%	Shares	%	Shares	%
Formosa Oil (Asia Pacific) Corporation	100,000,000	100%	0	0	100,000,000	100%
Formosa Petrochemical Transportation Corporation	19,377,600	88%	2,642,400	12%	22,020,000	100%
FPCC USA, INC.	10,000	100%	0	0	10,000	100%
Formosa Dredging Corporation	10,000	100%	0	0	10,000	100%
Formosa Petrochemical International (Cayman) Limited	50,000	100%	0	0	50,000	100%
FG INC	11,400	57%	8,600	43%	20,000	100%
Mai-Liao Power Corporation	547,069,734	24.94%	1,641,084,928	74.82%	2,188,154,662	99.76%
Yi-Chi Construction Corporation	8,050,000	40.55%	11,800,000	59.45%	19,850,000	100%
Mailiao Harbor Administration Corporation	98,906,850	44.96%	120,898,220	54.95%	219,805,070	99.91%
Formosa Development Corporation	42,178,804	45.99%	49,526,196	54.01%	91,705,000	100%
Formosa Marine Corporation	3,238,000	20%	7,285,500	45%	10,523,500	65%
Simosa Oil Corporation	41,747,530	20%	0	0	41,747,530	20%
Caltex Taiwan Corporation	2,400,000	50%	0	0	2,400,000	50%
Formosa Environmental Technology Corporation	41,714,475	24.34%	129,685,525	75.66%	171,400,000	100%
Formosa Plastics Synthetic Rubber	44,600,000	33.33%	89,200,000	66.67%	133,800,000	100%
Formosa Plastics Synthetic Rubber(HK)	135,000,000	32.53%	280,000,000	67.47%	415,000,000	100%
Formosa Kraton Chemical Co., Ltd.	-	50%	-	0	-	50%
Formolight Technologies, Inc.	8,036,070	39.43%	0	0	8,036,070	39.43%
Formosa Resources Corporation	741,594,000	25%	2,224,782,000	75%	2,966,376,000	100%
Formosa Group (Cayman) Limited	12,500	25%	37,500	75%	50,000	100%
Idemitsu Formosa Specialty Chemical Corp.	75,000,000	50%	0	0	75,000,000	50%
NKFG	83,100,000	50%	0	0	83,100,000	50%
TMS Corp.	0	0	3,430,000	49%	3,430,000	49%
Whale Home International Corp.	0	0	21,263,472	69.49%	21,263,472	69.49%
FG LA LLC	-	0	-	100%	-	100%

Note 1 : Above investees are under equity method of FPCC.

Note 2 : Formosa Kraton Chemical Co., Ltd. and FG LA LLC are limited company, not applicable for shares.

## IV. Capital and Shares

### 1. Capitalization and shares

#### 1.1 Sources of capital

Year/ Month	Issue Price (NT\$ per share)	Authorized capital		Paid-in capital		Remark		
		Shares (Thousand)	Amount (Thousand)	Shares (Thousand)	Amount (Thousand)	Sources of capital	Capital increased by assets other than cash	notes
1992/04	10.0	1,500,000	15,000,000	1,500,000	15,000,000	Original shareholder contribution	None	
1996/09	13.6	2,750,000	27,500,000	2,750,000	27,500,000	Cash capital increase	None	
1998/07	15.5	4,250,000	42,500,000	4,250,000	42,500,000	Cash capital increase	None	
1999/08	17.0	6,000,000	60,000,000	6,000,000	60,000,000	Cash capital increase	None	
2001/10	20.0	7,000,000	70,000,000	7,000,000	70,000,000	Cash capital increase	None	
2003/08	10.0	7,840,000	78,400,000	7,840,000	78,400,000	Capital increase by retained earnings and additional paid-in capital	None	
2004/07	10.0	9,000,000	90,000,000	8,310,400	83,104,000	Capital increase by retained earnings and additional paid-in capital	None	
2004/12	10.0	9,000,000	90,000,000	8,372,482	83,724,820	ECB conversion	None	
2005/03	10.0	9,000,000	90,000,000	8,434,464	84,344,637	ECB conversion	None	
2005/07	10.0	9,000,000	90,000,000	8,960,729	89,607,290	ECB conversion and Capital increase by retained earning	None	
2005/10	10.0	9,000,000	90,000,000	8,968,540	89,685,399	ECB conversion	None	
2005/12	10.0	9,000,000	90,000,000	8,969,583	89,695,828	ECB conversion	None	
2006/03	10.0	9,000,000	90,000,000	8,979,131	89,791,306	ECB conversion	None	
2006/07	10.0	9,248,505	92,485,045	9,248,505	92,485,045	Capital increase by retained earning	None	
2009/07	10.0	9,525,960	95,259,597	9,525,960	95,259,597	Capital increase by retained earning	None	

Type of stock	Authorized capital			Remark
	Outstanding	Outstanding Un-issued shares	Total shares	
Common Stock	9,525,959,652	0	9,525,959,652	Listed company stock

## 1.2 Composition of Shareholders

2020/03/31

Type of shareholders	Number of shareholders	Shareholding (shares)	Holding (percentage)
Government agencies	3	54,381,995	0.571%
Financial institutions	58	146,457,569	1.537%
Other juridical person	290	8,328,423,588	87.429%
Domestic natural person	72,071	283,785,492	2.979%
Foreign institutions & natural person	560	712,911,008	7.484%
Total	72,982	9,525,959,652	100%

## 1.3 Distribution of Shareholding

2020/03/31

Common shares ownership (Unit: share)	Number of shareholders	Ownership (shares)	Ownership (percentage)
1 ~ 999	22,813	3,903,013	0.041%
1,000 ~ 5,000	38,413	75,798,421	0.796%
5,001 ~ 10,000	5,544	41,926,585	0.440%
10,001 ~ 15,000	2,336	28,542,688	0.300%
15,001 ~ 20,000	1,094	19,584,771	0.206%
20,001 ~ 30,000	1,112	27,393,799	0.288%
30,001 ~ 40,000	465	16,242,629	0.171%
40,001 ~ 50,000	292	13,173,662	0.138%
50,001 ~ 100,000	409	27,567,145	0.289%
100,001 ~ 200,000	194	27,226,034	0.286%
200,001 ~ 400,000	103	28,934,439	0.304%
400,001 ~ 600,000	48	23,160,222	0.243%
600,001 ~ 800,000	21	14,791,128	0.155%
800,001 ~ 1,000,000	22	19,682,325	0.207%
1,000,001 and over	116	9,158,032,791	96.138%
Total	72,982	9,525,959,652	100%



## 1.4 Major Shareholders

2020/03/31

Major Shareholders	Shares	Ownership Shares	Ownership Percentage
Formosa Plastics Corp.		2,720,549,010	28.55%
Formosa Chemicals & Fibre Corp.		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%
Formosa Taffeta Co., Ltd		365,267,576	3.83%
Standard Chartered Bank (Taiwan) Limited In Custody for Genesis Equity Group Inc.		57,210,690	0.60%
Chunghwa Post Co., Ltd.		49,363,728	0.52%
HSBC Bank (Taiwan) Limited In Custody for Power Unlimited Corporation		48,157,064	0.51%
Standard Chartered Bank (Taiwan) Limited In Custody for Central Capital Management Inc.		46,991,790	0.49%
HSBC Bank (Taiwan) Limited In Custody for Pacific Light and Power Corporation		45,901,634	0.48%

## 1.5 Market Price, Net Worth, Earnings, and Dividends per Common Share in the Last Two Years

Item \ Year			2018	2019	Before March 31st, 2020 (Note 8)
Market price per share (Note 1)	Highest market price		151.00	119.00	104.50
	Lowest market price		100.50	94.00	66.10
	Average market price		120.89	105.75	84.89
Book value per share (Note 2)	Before distribution		35.45	34.67	31.43
	After distribution		30.65	—	—
Earnings per share (Note 3)	Weighted average shares (Thousand)		9,525,960	9,525,960	9,525,960
	Not-adjusted earnings per share		6.31	3.86	-1.05
	Adjusted earnings per share		6.31	3.86	-1.05
Dividends per share	Cash dividends		4.80	2.90	—
	Free share allotment	—	—	—	—
		—	—	—	—
	Accumulated undistributed dividends (Note 4)		—	—	—

Item \ Year		2017	2018	Before March 31, 2019 (Note 8)
Return on Investment	Price / earnings ratio (Note 5)	19.08	27.44	—
	Price / dividend ratio (Note 6)	25.08	36.52	—
	Cash dividend yield rate % (Note 7)	3.99	2.74	—

\* If shares are distributed in connection with a capital increase out of earnings or capital reserve, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: List the highest and lowest market price per share of common stock for each fiscal year. Each fiscal year's average market price is calculated based upon each fiscal year's actual transaction prices and volume.

Note 2: Use the number of the outstanding issued shares at year end as the basis. Fill in the respective net worth per share (shareholder's equity) after the distribution approved by next year's shareholder's meeting.

Note 3: If there is any retrospective adjustment required due to bonus shares, disclose earnings per share before and after the adjustment.

Note 4: If the conditions for issuance of equity securities state that the undistributed dividends in the current year may accrue to a fiscal year in which there is profit, disclose separately the cumulated undistributed dividends as of the end of the current year.

Note 5: Price-to-earnings (P/E) Ratio = Average closing price per share / Earnings per share

Note 6: Price/Dividend ratio = Average closing price per share of the year / Cash dividends per share

Note 7: Cash dividend yield = Cash dividend per share / Average closing price per share of the year

Note 8: Fill in the net value per share and earnings per share stated in the financial reports audited and certified (or reviewed) by a CPA, for the most recent quarter. For the remaining columns, fill in the financial data in the current fiscal year up to the date of the publication of the report.

## 1.6 Company dividend policy and implementation status

### 1. Dividend policy set forth in the Company's Articles of Incorporation

The Company maintains a dividend policy based on the principle of stability and undiluted share capital. The Company adopts a high cash dividend policy to reward our investors. The dividend policy stipulated in the Company's Articles of Incorporation is as follows:

The Company is doing business in a mature industry, and its dividend policy adopts three types of distribution forms including cash dividends, capital increase through capitalization of retained earnings, and capital increase

through capitalization of capital reserve. After setting aside legal capital reserve and special capital reserve, more than 50% of remained earnings are distributed to shareholders, preferably by cash dividends, provided that the ratio of capital increase through capitalization of retained earnings and capital increase through capitalization of capital reserve to the total amount of dividends does not exceed 50%.

2. Dividend distributions proposed at the most recent shareholders' meeting

Cash dividend of NT\$2.90 per share.

3. Anticipated material change in dividend policy: None.

1.7 Effect upon business performance and earnings per share of any bonus share distribution proposed or adopted at the most recent shareholders' meeting:

The most recent shareholders' meeting does not adopt bonus share distribution policy, and the Company is not required to prepare financial forecast. Therefore, this item is not applicable.

1.8 Compensation for employees, Directors, and Supervisors

1. The percentages or ranges with respect to employees' and Directors' compensation, as set forth in the Company's Articles of Incorporation:

On June 6th, 2016, the shareholders' meeting passed an amendment to the Articles of Incorporation which stipulates that for a year in positive net profit, 0.02% to 0.1% of the pre-tax profit amount before the employees' compensation is deducted shall be distributed as employees' compensation. However, if the Company still records a cumulative loss, the profit shall first be used to offset the loss.

2. The basis for estimating the amount of employees' and Directors' compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure for the current period:

The Company estimates that the employees' compensation for 2019 is amounted to be NT\$8,982 thousand. Based on relevant regulations stipulated in the Articles of Incorporation, employees' compensation is at 0.02% of the 2019 pre-tax profit amount before employees' compensation is deducted, and is recognized as operating expenses for the current period.

3. Information on any approval by the Board of Directors of distribution of compensation:

Approval on March 9th, 2020 by the Board of Directors:

- (1) The amount of employees' compensation distributed in cash or stocks: NT\$8,982 thousand of cash and NT\$0 of common shares; compensation for Directors: NT\$ 0.

(2)The amount of employees' compensation distributed in stocks: NT\$0; the amount as a percentage of the sum of the after-tax net income: 0%; the amount as a percentage of the sum of total employee compensation: 0%.

4. Actual distribution of employees' and Directors' compensation for the previous fiscal year:

The resolution of employees' and Directors' compensation as approved by the shareholders' meeting on May 31st, 2019, and its actual distribution:

(1)Actual amount distributed as employees' compensation: NT\$14,905 thousand of cash, NT\$0 of shares; actual amount distributed as Directors' compensation: NT\$0.

(2)The number of shares distributed as employees' compensation is 0, accounting for 0% of the capital increase through capitalization of retained earnings.

(3)Earnings per share after actual distribution of employees' compensation and Directors' remuneration stands at NT\$6.31 per share.

(4)There is no discrepancy between the actual distributed cash amount of employees' compensation as well as Directors' remuneration and the original amount approved by the shareholders' meeting.

1.9 Share repurchases from the Company: None.

2. Issuance of Corporate Bonds: Pages 112-113.

3. Issuance of Preferred Stocks: None.

4. Issuance of Global Depositary Receipts: None.

5. Employee Share Subscription Warrants: None.

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

7. Implementation of the Company's Capital Allocation Plans: None.

## Status of Corporate Bonds

Corporate Bond Type		102-1 Unsecured Corporate Bonds	103-1 Unsecured Corporate Bonds
Issue date		2013.06.26	2014.09.12
Denomination		NT\$1 million	NT\$ 1million
Issuing and transaction location		N/A	N/A
Issue price		Issue by denomination	Issue by denomination
Total price		NT\$ 10,000,000,000	NT\$ 6,000,000,000
Coupon rate		5 years, Fixed rate: 1.28% 7 years, Fixed rate: 1.41%	5 years, Fixed rate: 1.43% 10 years, Fixed rate: 1.90% 12 years, Fixed rate: 1.99%
Tenor		5 years, Maturity: 2018.06.26 7 years, Maturity: 2020.06.26	5 years, Maturity: 2019.09.12 10 years, Maturity: 2024.09.12 12 years, Maturity: 2026.09.12
Guarantee agency		None	None
Trustee		Bank of Taiwan	Bank of Taiwan
Underwriting institution		Undisclosed	Undisclosed
Certified lawyer		Lin, Chih-Chung	Lin, Chih-Chung
CPA		Lin, Li-Huang TSENG, HSIANG-YU	Lin, Li-Huang TSENG, HSIANG-YU
Repayment method		<u>5-year bond</u> : Repay 50% from the end of the fourth and the fifth year from the date of issue separately <u>7-year bond</u> : Repay 50% from the end of the sixth and the seventh year from the date of issue separately	<u>5-year bond</u> : Repay 50% from the end of the fourth and the fifth year from the date of issue separately <u>10-year bond</u> : Repay 50% from the end of the ninth and the tenth year from the date of issue separately <u>12-year bond</u> : Repay 50% from the end of the eleventh and the twelfth year from the date of issue separately
Outstanding principal		NT\$ 2,200,000,000	NT\$ 3,600,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause		None	None
Name of credit rating agency, rating date, rating of corporate bonds		Taiwan Ratings 2012.03.22 ; TWAA-	Taiwan Ratings 2014.07.10 ; TWAA-
Other Rights Attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A	N/A
	Issuance and conversion (exchange or subscription) method	N/A	N/A
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		N/A	N/A
Transfer agent		N/A	N/A

## Status of Corporate Bonds

Corporate Bond Type		108-1 Unsecured Corporate Bonds
Issue date		2019.07.24
Denomination		NT\$1million
Issuing and transaction location		N/A
Issue price		Issue by denomination
Total price		NT\$ 11,100,000,000
Coupon rate		5 years, Fixed rate: 0.72% 7 years, Fixed rate: 0.78% 10 years, Fixed rate: 0.87%
Tenor		5 years, Maturity: 2024.07.24 7 years, Maturity: 2026.07.24 10 years, Maturity: 2029.07.24
Guarantee agency		None
Trustee		Bank of Taiwan
Underwriting institution		Yuanta Securities Co., Ltd. and other 14 securities corporation
Certified lawyer		Huang, Jian-Cheng
CPA		Lin, Li-Huang Fuh, Wen-Fun
Repayment method		<u>5-year bond</u> : Repay 50% from the end of the fourth and the fifth year from the date of issue separately <u>7-year bond</u> : Repay 50% from the end of the sixth and the seventh year from the date of issue separately <u>10-year bond</u> : Repay 50% from the end of the ninth and the tenth year from the date of issue separately
Outstanding principal		NT\$ 11,100,000,000
Terms of redemption or advance repayment		None
Restrictive clause		None
Name of credit rating agency, rating date, rating of corporate bonds		Taiwan Ratings 2018.10.15 ; TWAA
Other Rights Attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A
	Issuance and conversion (exchange or subscription) method	N/A
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		N/A
Transfer agent		N/A

## **V. Operations Overview**

### **1. Business Content**

#### **1.1 Business Scope**

##### **1.1.1 Main Business Content**

- (1) B102010 Extraction of Crude Petroleum and Natural Gas.
- (2) B601010 On land Clay and Stone Quarrying.
- (3) C801010 Basic Industrial Chemical Manufacturing.
- (4) C801020 Petrochemical Manufacturing.
- (5) C801110 Fertilizer Manufacturing.
- (6) C803011 Petroleum Refineries.
- (7) C803990 Petroleum and Charcoal Manufacturing.
- (8) C901990 Other Non metallic Mineral Products Manufacturing.
- (9) CA02010 Metal Architectural Components Manufacturing.
- (10) D101050 Steam and Electricity Paragenesis.
- (11) D401010 Heat Energy Supplying.
- (12) E401010 Dredge Engineering.
- (13) EZ99990 Other Construction.
- (14) F107050 Wholesale of Manure.
- (15) F107200 Wholesale of Chemistry Raw Material.
- (16) F111090 Wholesale of Building Materials.
- (17) F112010 Wholesale of Gasoline and Diesel Fuel.
- (18) F112020 Wholesale of Coal and Products.
- (19) F112040 Wholesale of Petrochemical Fuel Products.
- (20) F112060 Airport, Harbor and Industry Port Gasoline Stations.
- (21) F113060 Wholesale of Metrological Instruments.
- (22) F207200 Retail sale of Chemistry Raw Material.
- (23) F212011 Gasoline Stations.
- (24) F212021 Fishing Vessel Gasoline Stations.
- (25) F212050 Retail Sale of Petrochemical Fuel Products.
- (26) F401010 International Trade.
- (27) F401100 Crude Petroleum Exporting.
- (28) F401151 Petroleum Import.
- (29) F401181 Metrological Instruments Importing.
- (30) G404011 Container Distributing Center Business.
- (31) G406061 Harbor Cargoes Forwarding Services.
- (32) G801010 Warehousing and Storage.
- (33) H701040 Specialized Field Construction and Development.
- (34) ID01010 Metrological Instruments Identify.
- (35) J101040 Waste treatment.

- (36) J101050 Sanitary and Pollution Controlling Services.
- (37) J101060 Wastewater (Sewage) Treatment.
- (38) J202010 Industry Innovation and Incubation Services.
- (39) JA02051 Metrological Instruments Repairing.
- (40) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

#### 1.1.2 Business Proportion (2019)

Main Items	Percentages of Sales Revenue
Refined petroleum products	67.2%
Petrochemicals	26.6%
Electricity and steam	5.8%
Others	0.4%

#### 1.1.3 Products and services portfolio:

The Company currently provides the following products and services in the market:

- (1) Refining and sales of fuel products (including naphtha, gasoline, diesel, aviation fuel, fuel oil, liquefied petroleum gas, etc.)
- (2) Production and sales of base oil
- (3) Production and sales of petrochemical basic raw materials (including ethylene, propylene, butadiene, etc.)
- (4) Production and sales of utility liquids (including electricity, steam, etc.)
- (5) Storage and transportation of fuel products and petrochemical raw materials
- (6) Loading and unloading of import and export of goods in the Mailiao Industrial Harbor

#### 1.1.4 New goods and services under development: None

### 1.2 Industry Overview

#### 1.2.1 Current industrial situation and development

Fuel industry:

In the past, the domestic fuel product market, ranging from the refinery and fuel supply in the upstream to the retail business in the downstream, was all exclusively operated by the state-owned enterprises in order for the government to control military-use materials and maintain national security. Later on, the domestic oil market was liberalized in response to the increasing public awareness for economic freedom. In June 1987, the Rules for the Establishment and Management of Gas Station were amended to allow for the creation of private-founded gas stations. In June 1996, the amendment of Regulations Governing Application for the



Operations of Import, Export, Production, and Sales Businesses opened the refinery business for the private sector to operate. Afterward, further actions were taken in two subsequent legislative amendments by the government to liberalize the domestic oil market: in 1999, the import of three petroleum products - aviation fuel, fuel oil and liquefied petroleum gas – was firstly deregulated; in 2001, the Petroleum Administration Act came into force, and up to this point, the domestic oil market was entirely opened. According to the Act, companies who obtained the qualifications specified by the law were allowed to run petroleum-related businesses such as refinery, import and export, and sales, etc.

Since Formosa Petrochemical Corporation (FPCC) launched its initial public offering in Taiwan Stock Exchange in September 2000, there have been in total two companies in Taiwan operating in the petroleum refinery sector, namely FPCC and CPC. Designed to produce 540,000 barrels per day in capacity, FPCC's refinery is currently the largest single-plant refinery in the domestic market. The process technology is advanced and capable of refining sour crude oil. The plant also provides high-value-added products in higher proportion than other domestic refineries. CPC's refineries are located separately in Taoyuan and Dalinpu, Kaohsiung, with a designed daily production capacity of 500,000 barrels. At present, the two companies' refinery capacity totals 1.04 million barrels per day, which is in excess of the domestic demand.

Since the domestic fuel supply is in surplus, the market is very competitive. After the domestic oil market was liberalized by the government, Esso had attempted to introduce its gasoline and diesel products into Taiwan since 2002. The foreign business' fuel products, however, turned out to be not competitive in the domestic market due to low product prices and the high cost of import, and eventually Esso withdrew its business from Taiwan in 2003. Since then, no other companies have tried to imported fuel products for domestic sales, and FPCC and CPC have remained the only two fuel suppliers here.

In recent years, due to the slowdown of the growth of fuel demand and the elevation of scale and capacity of oil refineries, competition in the refining industry is becoming increasingly fierce. In response to such situation, FPCC has been keen to stabilize its production output by increasing reliability in equipment and processes as well as improving adaptability in crude oil refining. FPCC also constantly searches for procedures to facilitate energy conservation and emission reduction so as to make the business truly in concert with the latest regulations and trends of environmental reduction. In the face of market volatility, FPCC adjusts product structure to add value to its products, while versatile marketing strategies are devised to tackle market dynamics and achieve the goal of market expansion. In the oil retail market, where the number of gas stations is also in surplus, decreasing the average quantity of oil distribution per station, the competition in the retail market still remains high. As a result of all of the aforementioned reasons, industry players have not only to take part in horizontal alliances in order to increase profitability, but also to assiduously look for opportunities of mergers and acquisitions in order to

minimize operational costs and improve operation efficiency.

FPCC's fuel supply policy sets the goal of satisfying the domestic market as the top priority. After the domestic market is fully satisfied, production and sales policy will then be adjusted towards export to increase profit. In terms of export sales, the Company actively signed long-term supply contracts with major international oil producers to consolidate marketing power in the main markets. In addition, keen actions are taken to keep abreast of market dynamics outside the region scope, as well as to identify optimal sales targets and policies in the market place. The Company's product quality is also constantly upgraded to align with international market requirements.

As a local brand in Taiwan, FPCC has been devoted to the production of high-quality products in order to meet the demand from domestic and overseas sales. The Company's product is currently exported to numerous advanced countries, such as Germany, the United States, Japan, and Australia, etc., and is highly regarded in the international oil product market for their excellent quality. In new product development, FPCC makes good use of world-class advanced process technologies and facilities, and constantly conducts in-depth research to garner knowledge on the global engine-development trend, all of which has helped FPCC accumulated sophisticated experience in refining. Through a series of process improvement and laboratory tests performed by our engine laboratories of international standards and road tests, the new product - 95+ Unleaded Gasoline - was launched in June 2015, featuring superior performances in mobile stability, fuel efficiency, and horsepower. The product strengthens FPCC's position in the domestic fuel market. 95+ Unleaded Gasoline is "stable, efficient, strong, and clean", just like all oil products should be, and it can especially satisfy consumers' need for fuel efficiency. Moreover, Mr. He-Huang Chen, also known as the Asian God of Automobile, has testified the product's fuel efficiency by performing a road test as an impartial third party. The test was conducted with transparent, objective, and scientific methods, and was held in a national automobile testing research center. The entire testing process was filmed and it showed that FPCC's 95+ Unleaded Gasoline is superior in fuel efficiency to other brands available in the market. Moreover, through operating Facebook fan page and well-known automobile forums (Mobile01, U-CAR), the company also promote the characteristics of 95+ Unleaded Gasoline such as fuel consumption, horsepower and torque, creating positive consumer experience.

In addition, in a bid to live up to consumers' high level of expectations for quality fuel products, and in response to the ever-changing vehicle engine technologies as well as growingly stringent global environmental regulations, FPCC launched the "Reformulated Super Diesel" product in 2016. As the most premium diesel product in the market, the product enables vehicles to comply with the car emission standards in Japan and Euro 5 or higher tier in Europe. Ther super diesel has impressed consumers with the four strengths of "smooth oil flow", "competitive price and efficiency", "strong hill climbing power" and "reduced carbon accumulation". The company also conduct road tests with three different types of

vehicles through U-CAR, a professional automobile forum, showing the excellent fuel consumption performance.

Meanwhile, in order to provide better service and reward for domestic consumers, starting from August 2017, FPCC held a series of advertising campaigns to showcase the Company's latest station layout successively in Taipei Fu-hua Station, Sure Shihlin Station, Taichung Sure Huaxia Station, and Pingtung Ligang Station. The Company specially hired SEIHO, a professional design team from Singapore, to renovate the gas stations, and used materials of Japan Railway (JR) station interior construction - new plastic aluminum plate - as the main building materials. The overall design and building materials both attend to environmental protection and safety functions. In addition, the layout design and the color, along with the transformation of streamlined style, represent a sense of innovation and liveliness so that consumers are truly influenced by FPCC's spirit of "Starting from Heart, Making Surprising Moves". For the purpose of attracting consumers to refuel at the gas station and strengthen the centripetal forces between the franchisees, the company keep holding nationwide and regional channel marketing campaigns, for instance, released FPCC's refueling day on Wednesday and other marketing activities combining with renowned festivals (Lunar New Year, Yilan Children's Folklore & Folkgame Festival and so on), which had promoted the sales performance of gas stations. In addition, the company keep joining in charity projects, assisting underprivileged children and cooperate with Victory Social Welfare Foundation to help the employment of disabled people, which had gained positive feedback from consumers and franchisees, strengthening corporate image of public welfare.

#### Petrochemical industry:

In earlier times, petrochemical raw materials in Taiwan in the most upstream were produced and supplied solely by CPC, and this was not sufficient enough to satisfy the domestic demand; therefore, the development of the domestic petrochemical industry has been held back. To solve this problem, Formosa Plastic Group (FPG) inaugurated the Sixth Naphtha Cracking Project in Mailiao with huge investment put in, attempting to establish a vertically integrated petrochemical industrial zone which can serve the domestic petroleum businesses. After the project was completed, the problem of insufficient raw material supply was resolved, and this project has significantly brought about economic growth in the domestic market.

In terms of ethylene, the total domestic production capacity in 2019 was 4.005 million tons per year (2.935 million tons produced by FPCC and 1.07 million tons produced by CPC), the total demand of ethylene from the downstream plants is 4.83 million tons. In 2019, the actual domestic production of ethylene was 4.11 million tons, 360 thousand tons were imported, and 120 thousand tons exported. The volume of ethylene consumed this year was 4.35 million tons. Currently, there are no new plans to build naphtha crackers in the domestic industry. However, in 2020, it is estimated that in Asia, there will be a yearly capacity of 9.92 million tons newly added to the region and it is estimated that there will be a yearly capacity of 1.75

million tons newly added in United States(all propane feed). The scheduled maintenance plans for naphtha crackers in Asia in 2020 is the same as that of 2019. Although the period during scheduled maintenance will help stabilize the price of ethylene, increasing supply from China and the decrease in consumption caused by COVID-19 is estimated to significantly reduce the ethylene import demand from China this year. In addition, the cost advantage of ethylene and PE from the United States will continue to increase the export volume, which is expected to further exert pressure on the prices of ethylene and PE in Asia.

In terms of propylene, the total domestic production of propylene in 2019 was 3.541 million tons per year(2.368 million tons produced by FPCC, and 1.173 million tons produced by CPC), the total demand of propylene from the downstream plants is 3.27 million tons. In 2019, the actual domestic production of ethylene was 3.34 million tons, 240 thousand tons were imported, and 620 thousand tons exported. The volume of propylene consumed this year was 2.96 million tons. At present, the production of propylene in the domestic market is still in surplus. Under some resource integration between the upstream and downstream businesses within the Formosa Plastic Group, however, FPCC can now not only make the supply of propylene to FPG's plants based in Mailiao and Linyuan, but other excessive product can be delivered to the Ningbo plant in Mainland China. However, when the plants in southern Taiwan were still faced with under-supplies, propylene would sometimes be imported by FPCC depending on the production requirement. In terms of new capacity production in Asia in 2020, in addition to the newly expanded ethylene plant and the propene production capacity of about 3.01 million metric tons/year, another 4 sets of propane dehydrogenation (PDH) are expected to be put into operation in China, including Zhejiang Petroleum & Chemical Co., Ltd. Phase I at 600,000 tons/year, Ningbo Fortune Petrochemical Co., Ltd. Phase II at 660,000 tons/year, Zhejiang Huahong New Materials at 450,000 tons/year, Fujian Meide at 660,000 tons/year, and the total from processes such as MTO, CTO and RFCC at 1.53 million tons, as well as newly increased production capacity from PTT, Thailand and YNCC, South Korea, the newly added propene production capacity from Asia for 2020 is estimated for 7.34 million tons/year. In 2020, the propylene production capacity in China increased significantly, which may decrease imports year by year. In addition, the COVID-19 pandemic has caused the reduction of economic consumption in Asia in the first quarter and affected propylene demand. Therefore, the future prospect of the propylene market in Northeast Asia as a whole still depends on the demand in the downstream market.

In terms of butadiene, the total domestic production capacity in 2019 was 605,000 tons per year(including 447 thousand tons produced by FPCC and 158 thousand tons produced by CPC), the total demand of butadiene from the downstream plants was 810 thousand tons. In 2019, the actual domestic production of butadiene was 530 thousand tons, with 150 thousand tons imported and 90 thousand tons exported, and the net consumption was 590 thousand tons. The domestic butadiene supply is still lower than the demand. In addition to supplying its downstream factories (including the Ningbo plant), FPCC will, but only after the domestic demand is

fully satisfied, export butadiene products overseas to clean up residual inventory. Domestic users will still import butadiene at a steady level through contracts for the concern of stabilizing their inventory source and cost. In 2020, in addition to China's newly expanded naphtha cracking plant of 770,000 tons/year and South Korea's YNCC expansion of 130,000 tons/year, there was no other relatively large-scale expansion of new production capacity. As China's production capacity is expected to increase, the demand for import is expected to decrease, and the overall supply in the Northeast Asian market will gradually ease. Although the fungal disease in Southeast Asia's rubber plantations drove up the price for natural rubber in January this year, the continued downturn in the Chinese automobile market and the COVID-19 pandemic have led to lockdown in China which impeded movement of people and vehicles. This may slow down the demand for downstream tires and put pressure on the future market of butadiene.

#### Utility:

FPCC has 16 units of co-generation systems, which can generate a total electric capacity of 2.75 million KW. All the electricity and steam produced is distributed to FPCC's plants, with the remaining power sold back to Taipower Company. In addition, multiple facilities were set up, such as industrial water, ultrapure water, air compressors, and oxygen workshops, to meet the demand of utility fluids in the Mailiao Industrial Complex. Looking ahead into 2020, in order to satisfy the individual onsite requirements of utility liquid in each plant, operations and adjustments are to be made to strengthen the mutual support among No. 1, No. 2, No. 3, and No. 4 plants with regard to the use of utility liquids such as steam and ultrapure water. This will ensure that the Mailiao Industrial Complex will have a steady supply of utility liquids and thus strengthen FPCC's corporate competitiveness.

### 1.2.2 Relations among the upstream, midstream, and downstream suppliers

Products in the petrochemical industry can be roughly categorized into basic raw materials, intermediate materials, and processed downstream application products. All products are closely related to one another.

Basic raw materials produced in the upstream include Olefins and Aromatics, both of which are produced from naphtha - a product made from refining petroleum - after undergoing a series of cracking or recombination processes in high temperature and high pressure.

Intermediate materials include plastics, synthetic fiber raw materials, synthetic rubber, phenol, and plasticizers. Among them, products belong to the ethylene group include HDPE, PVC, PS, and EG, etc. Products derived from ethylene have the widest application range, so production capacity of ethylene is often seen as a key performance index regarding the development of the petroleum industry. In the propylene group, there are AA, AN, 2EH, PHENOL, PP and other similar kinds of plastic and artificial fiber raw materials; butadiene is mainly used in producing synthetic rubber and plastic raw materials; aromatics is mainly used in the synthetic

fiber industry, and some is used for making plastics and cleaning detergents.

Applications of processed products in the downstream can be of a wide range, including products such as plastic goods, synthetic fibers, rubber-made products, solvents, detergents, and adhesives, etc. (Details seen in Figure 1, page 125.)

### 1.2. 3 Development trends and competition status of products and services

#### 1.2.3.1 Oil Products

##### A. Gasoline and diesel

Oil supply is an oligopoly, but the retailing sector is a competitive market. The domestic fuel product market mainly consists of two major supply systems, FPCC and CPC. Fuel retailers belong to a dozens of franchisee station systems and other stand-alone operators. Each retailer can decide on its own marketing strategy independently. In 2019, FPCC's fuel supply accounted for 20.7% of the total market share. By the end of 2019, there are a total of 514 gas stations in operation under the FPCC's system.

In terms of Export Market:

##### a. Gasoline

The global gasoline will show a sign of oversupply for the next three years. On the supply side, new refineries in Asia have been put into production, causing the growth rate of gasoline supply to exceed the demand, which does not facilitate market development. On the demand side, economic prospects have remained poor in developing countries such as China and India in recent years, and car sales have declined year by year. In response to environmental protection trends, countries such as the United Kingdom and the United States continue to promote the replacement of fuel vehicles with electric ones, or gasoline with biomass fuel. The oversupply of global gasoline has further intensified market competition.

##### b. Diesel

In 2019, the export of diesel products from China amounted to 21 million tons, which is an increase of nearly 3 million tons compared with that in 2018. The slowdown in the growth of China's diesel demand, coupled with the successive commercialization of large private refineries including Hengli Petrochemical Co., Ltd., (400,000 barrels/day) and Zhejiang Petroleum & Chemical Co., Ltd., (400,000 barrels/day) and actively taking up the domestic market, the national oil company's exports increased, resulting in fiercer competition in Northeast Asia. In the future, the diesel market will rely on the development of infrastructure, agriculture, mineral, and electricity in the newly arising markets to push up the demand such as Southeast Asia, South Asia, Africa, and Latin America.

##### B. Fuel Oil

FPCC's fuel is used mainly for purposes regarding the industrial application, power generation, and shipping. Because domestic fuel price tends to be low and building storage and distribution equipment is not easy, except for FPCC and

CPC, there is still not a third company to enter the market since the liberalization of the sector by the government.

With respect to the export market, Singapore is the world's largest shipping logistic hub and is therefore a major fuel distribution center for fuel. To tackle environmental protection and clean energy issues, the International Maritime Organization (IMO) has imposed a new regulation with regard to sulfur lowering in the international shipping industry. Therefore, effective from 2020, the upper limit of sulfur contained in vessel-powered diesel will be reduced to 0.5% from 3.5%; it is certain that the new rule will bring new challenges to the fuel industry.

#### C. Jet fuel

There are a total of 17 large and small airports in Taiwan, but the major passenger and cargo transportation still centrally locates in the three airports, namely Taoyuan Airport, Taipei Songshan Airport, and Kaohsiung Airport. In January 2017, FPCC created a new service spot in Taichung Airport, in addition to the fuel supply services in the above three major airports. In 2019, FPCC's domestic sales of jet fuel increased by 3.3% compared with that in 2018.

Affected by the Sino-US trade war, the civil unrest in Hong Kong and the synchronized slowdown of global economy, global air cargo demand in 2019 showed a negative growth of 3.3% for the first time since 2012. Passenger demand maintained a positive growth of 4.2%, but below the long-term average value of 5.5%. In 2020, the market outlook remains bleak faced with challenges such as oversupply, the pandemic and the Sino-US trade war. In the future, to keep the oil demand and supply in Asia Pacific in balance, the market will still rely on surplus aviation fuel being distributed out of Asia to the emerging markets where there is growing demand, and to Europe and America once the potential of profit arbitrage is possible.

#### D. LPG

Since 1999, when the domestic liquid gasoline market was liberalized in that year, companies had started to import or produce liquid gasoline to sell in the market, namely, FPCC, CPC, LCY, and so on. However, in the past, because the domestic LPG price was often interfered by government policies, now there are only two companies, FPCC and CPC, still providing products in the domestic LPG market. The rest of the companies in the industry have terminated their imports and sales of LPG due to the concern of low profitability.

#### E. Base oil

From 2019 to 2020, the construction and expansion of the second and third base oil plants in the Asia-Pacific region (mainly China) is estimated to reach 4.84 million tons. Oversupply in the region has significantly increased since 2019. Moreover, the possibility of ECFA between China and Taiwan ending, and the gradual tariff reduction as a result of FTA between South Korea and China will slowly decrease the competitiveness of base oil in China.

The market originally expected the demand for base oil in China will rebound from the bottom of last year in 2020, but the impact of Covid-19 has a lasting

impact on demand from China. Moreover, it weighs on other Asian markets.

However, in the medium and long term, the economies of India and Southeast Asian countries are still in the growth phase. The expansion of base oil plants is limited and the demand continues to grow, so that the high dependence on imports gives the price of base oil in Northeast Asia leverage.

#### 1.2.3.2 Petrochemical Raw Materials (Ethylene, propylene, butadiene and etc.)

##### A. Ethylene

In 2020, scheduled inspection plans for naphtha cracking plants in Northeast Asia remain the same with that of 2019 (with the exception of China), with 6 in Japan, 2 in South Korea, 2 in Taiwan and 4 in Southeast Asia, leading to 1.23 million tons of loss in production capacity. However, the ethylene production capacity has reached 9.07 tons in China (Zhejiang Petroleum & Chemical Co., Ltd., Hengli Petrochemical Co., Ltd., Zhongke Lianhua, Liaoning Baolai Co., Ltd., Sinochem Quanzhou Petrochemical Co., Ltd., Wanhua Chemical Group Co., Ltd. and Zhejiang Satellite Petrochemical Co., Ltd.), and YNCC No.2 cracker in South Korea removed all obstacles for the production capacity to reach 340,000 tons for the fourth quarter. In 2019, the ethylene plants in the U.S. put 2.98 million tons more into production. In 2020, FPC (1.25 million tons) and Shin-Etsu (500,000 tons) were also put into operation. Moreover, the newly expanded ethylene terminal Enterprise started operating in December 2019. It is estimated the export volume in 2020 will double that of 2019 (about 400,000 tons).

##### B. Propylene

In 2020, China increased its propylene production capacity by an estimated 6.91 million tons, including naphtha and LPG cracking plant output of 3.01 million tons, and propane dehydrogenation plant (PDH) output of 2.37 million tons (Zhejiang Petroleum & Chemical Co., Ltd., Oriental Energy Co., Ltd., Zhejiang Huahong Co., Ltd., and Fujian Meide Co., Ltd.). In addition, with 550,000 tons from RFCC, 980,000 tons from MTO/CTO, plus 3.16 million tons of new production capacity in 2019, the domestic self-sufficiency rate has increased significantly with reduced need for import. The newly expanded PP plant of Hyosung Vietnam is scheduled to be start operation in 2020, but the PDH plant (600,000 tons) is scheduled to start operation by the end of the year, so there is a short-term demand for imported propylene.

##### C. Butadiene

Many BD plants were expanded in China in 2020 (Zhejiang Petroleum & Chemical Co., Ltd., Hengli Petrochemical Co., Ltd., Zhongke Lianhua, Liaoning Baolai Co., Ltd., and Sinochem Quanzhou Petrochemical Co., Ltd.). It is estimated that the production capacity in China will increase by 770,000 tons with drastically decreased imports. However, many regular inspection plans took place in BD plants (JSR and JXTG in Japan, PTTGC and BST in Thailand, Lotte Titan in Malaysia, CPC in Taiwan and CSPC in China), leading to tighter supply.



## D. Isoprene

In 2020, the Company has negotiated supply contracts with SIS manufacturers, with main customers including Kraton, Zeon, JSR and LCY Grit Corp., etc. The agreed amount reaches 35,000 tons (about 67% of the sales volume). Coupled with demand from Kraton Formosa Polymer Corporation in 2020, the volume is expected to maintain at 6,000 tons. It is estimated that the sales of IPM in 2020 will be the same as that of 2019, which helps maintain stable production of the isoprene plant.

### 1.2.3.3 Utility (Electricity, steam, water and etc.)

FPCC has 16 units of co-generation systems in total, which can generate a total electric capacity of 2.75 million KW. All the electricity and steam produced is distributed to FPCC's plants, with only the remaining power sold back to Taipower Company. In addition, multiple facilities were set up, such as industrial water, ultrapure water, air compressors, and oxygen workshops, to meet the demand of utility fluids in Mailiao Industrial Complex. In the future, to satisfy individual requirement of utility liquids in each plant, operations and adjustments will be made to strengthen the mutual support between plants with regard to the use of utility liquids such as steam and ultrapure water. This will ensure that the Sixth Naphtha Cracking Project will have a steady supply of utility liquids with its operational scale increased in the future.

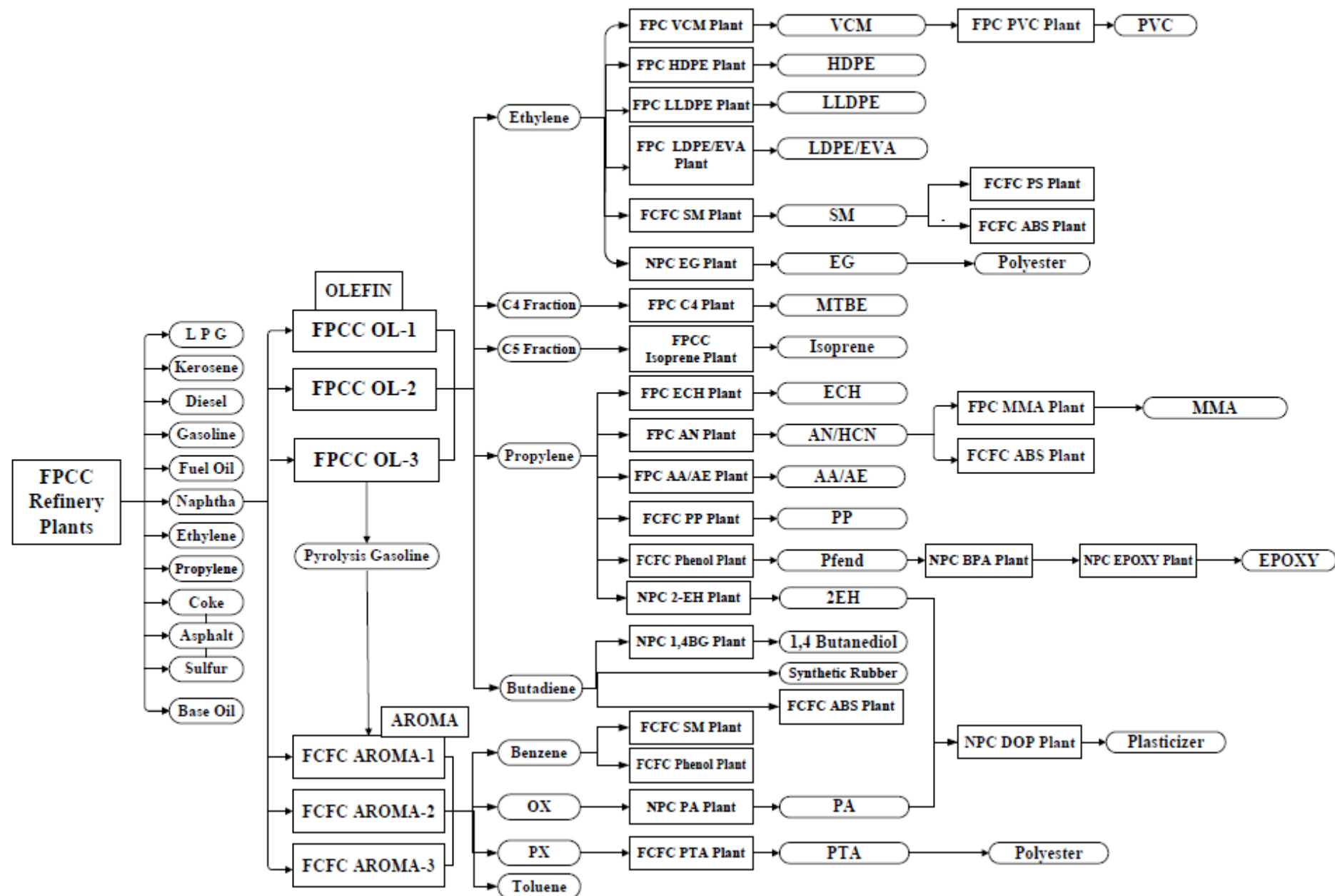
### 1.2.3.4 Loading and unloading of import and export of goods in the Mailiao Industrial Harbor

At present, there are a total of 20 terminals in Mailiao Port to accommodate the logistic operations of crude oil, refined oil, chemicals, and bulk shipment. FPCC adopts state-of-the-art automation facilities to enable the loading and unloading of mass imports or exports of goods; this has brought about great benefit for FPCC in improving transportation efficiency and cost control. In addition, a computer management system is implemented in the port to schedule all shipments so that each delivery can be loaded and unloaded safely, correctly and efficiently.

Situated in a logistic hub of the Taiwan Strait, FPCC has a strategic advantage to strengthen business competitiveness in the operation of the Asia Pacific shipping routes.

Figure 1

# The Sixth Naphtha Cracking Project Petrochemical Products



## 1.3 Overview of Technology and Research & Development

### 1.3.1 Overview

FPCC's refineries and naphtha crackers adopt advanced process technologies well-known in the world, and the Company's production capacity has been constantly stable with output increased year by year. To improve production efficiency even more, each of FPCC's factories has a dedicated process improvement department, and professional chemical technicians are assigned to carry out process improvement research which aims to discover solutions for production stabilization, production expansion, cost reduction, output value increase, energy reservation, and emitted pollution minimization. Through continuous improvement and innovation in all aspects, the Company's production process is being developed towards perfection.

In order to protect the environment and comply with increasingly stringent quality standards both domestically and overseas, FPCC has made a huge investment in the production expansion and quality improvement of the Sixth Naphtha Cracking Project, Phase 4. Since 2009, our refineries can produce 10 ppm ultra-low-sulfur diesel in large quantity, and the product not only complies with the environmental protection standards required in Europe, the United States, New Zealand, and Australia, but also became the pilot product of this kind available in the domestic market. On July 29th, 2009, the Standards for the Composition of Automobile Gasoline and Diesel Fuel were revised by the Environmental Protection Administration, in repose to the arising public requirement for improving air quality as well as the trend of reduction of sulfur in gasoline and diesel in the international market. Due to this change, the required proportion of sulfur contained in vehicle gasoline and diesel was lowered to 10 ppm from 50 ppm, and the legal requirement for diesel was effective as of July 1st, 2011, and the legal requirement for gasoline as of January 1st, 2012. FPCC's production process has been adjusted so that the Company is enabled to supply oil products with sulfur below 10 ppm. The product is also in compliance with the latest quality standards required in the European and the US market, which therefore facilitates the market expansion in these regions.

With respect to petrochemical products, all FPCC's refineries and naphtha crackers have adopted world-renowned advanced process technologies to intensify business strength in the international competitions. While No. 1 Olefin Cracker, which was established in October 2002, raised ethylene output from 450,000 tons per year to 700,000 tons per year, No. 2 Olefin Cracker can produce 1.035 million tons of ethylene per year, and No. 3 Olefins Cracker, which was launched in May 2007, is able to produce 1.2 million tons of ethylene per year. FPCC's No. 1, No. 2, and No. 3 Olefin Crackers have achieved an annual

ethylene production capacity of 2.935 million tons in total, making the Company ranked among the top ten suppliers of the ethylene product in the world. In addition, each plant has continuously carried out project-based improvement constructions to increase energy efficiency, product recycling, and the safety management of manufacturing processes. With all these efforts made, FPCC is able to enhance production performance and achieve the goal of sustainable operation.

In order to support the government policy of developing a high-quality petroleum industry, and in the meantime, to enhance the Company's future competitiveness, FPCC entered a joint venture with Kraton, an American company, in which a new Hydrogenated Styrene Block Copolymer (HSBC) plant was built to increase the output volume of five-carbon distillation, a cracking-related product. The HSBC product has superior aging resistance, plasticity and high level of elasticity, and are widely used in the production of high-grade elastomers, plastic modifiers, adhesives, lubricants, tackifiers, wire and cable fillers, and sheathing materials. The plant was officially put into production in February 2017. FPCC also built a Hydrogenated Hydrocarbon Resins (HHCR) plant which was jointly invested by the Japanese company of Idemitsu Kosan Co., Ltd. The plant had HHCR uses dicyclopentadiene (DCPD) and styrene (SM) to produce high quality hydrogenated petroleum resin, mainly used in high-quality petrochemical products such as pressure sensitive hot melt adhesives, plastic modifiers, adhesive additives and coating additives, etc.

Among all the kinds of utility liquid supplied by the Utility Department, the supply of steam is comparatively insufficient. The main reason is the potential risk of short steam supply that could happen in the occasion when a cracker is abnormally shutdown and needs a lot of steam to recover, and when steam boilers of No. 1 and No. 3 Utility plants are suspended simultaneously for maintenance inspection. To resolve such problems, mutual support of steam supply between plants and connected steam pipe lines can help integrate the demand for steam between No. 1 to No. 4 utility plants.

### 1.3.2 Research and development expenditures (including research, development, and improvement) developed during the most recent five fiscal years up to the date of publication of the annual report

Unit : NT\$ thousand					
Year	2015	2016	2017	2018	2019
R&D Expenses	541,579	621,603	550,887	603,134	483,118

### 1.3.3 Technologies and products successfully developed

#### 1.3.3.1 Products and technologies successfully developed in the period from 2019 to the first quarter of 2020

Item	Description
RCC / HDS corrosion inhibitor development	In order to avoid RCC/HDS top corrosion, a corrosion inhibitor has been added to the top of RCC/DHS towers. In order to reduce the cost of additives, the performance test of corrosion inhibitors and countermeasures were implemented.

#### 1.3.3.2 Products or technologies that have been successfully developed in and before 2018

- Establishing a frequently used crude assay to provide reference information about the properties and yield of crude oil in process operations.
- Evaluating catalyst activity to provide the information based on which operational conditions in manufacturing processes can be adjusted.
- Developing a method for detecting the level of HARD sulfur in crude oil to improve process optimization.
- Improving diesel formula and using additives to improve fluidity in low temperatures so that product quality can meet the required specifications of winter diesel in Japan, South Korea, and other countries.
- Reusing deactivated catalyst produced from cracking heavy oil in the application of the production of concrete, asphalt and red brick, a technology for which a patent has been obtained by FPCC.
- Evaluating catalysts which are needed to improve the quality of polymer-grade propylene products with the attempt to make process improvement.
- Evaluating how emulsifiers can make impact on the efficiency of waste oil tanks for the purpose of raising benefit in waste oil refining.
- Developing a quality test for Asphalt blending (vacuum distillation unit produces low penetration tar, which is then blended into the solvent to meet the regulatory requirement).
- For the concern of government requirement and environmental protection, the impact of adding biodiesel to petrochemical diesel is evaluated in terms of oil properties and performances.
- FPCC's processing plants have replaced industrial water or stripped acid water used in the original process design with different proportions of inorganic brine to save water resources.
- Improving the naphthenic-acid analysis method: Use FTIR to quantitatively measure the concentration of naphthenic acid COOH functional groups, and finally use this method to monitor the quality of Kerosene/AGO.

- l. Discussions are made about the distribution of naphthenic acid in each distillate.
  - m. Evaluating the effectiveness of using the by-product lime as a sludge dehydrating curing agent.
  - n. Assessing the feasibility of creating fingerprints for gasoline and diesel.
  - o. Researching and testing on the new formula of SL series engine oil.
  - p. Developing and performing simulation test on the formulation of High VI, low-pour point hydraulic oil (AWT series).
  - q. Exploring the proportion of KSW/KHU aviation fuel added in exported premium diesel.
  - r. Developing a method to test the solubility of white oil and styrene.
  - s. Establishing a method to evaluate filter performance.
  - t. Evaluating 380N white oil distillation ratios.
  - u. Evaluating 95<sup>+</sup> gasoline formulations and developing related engine performance tests.
  - v. Establishing an evaluation method to use GC-FID/GC-MS (gas chromatography-flame ion detector/mass spectrometer) for analyzing the sulfur level in crude oil.
  - w. Researching on minimizing the volume of hazardous industrial waste.
  - x. Gasoline sulfide composition analysis.
  - y. Development of new methods for evaluating demulsifier.
  - z. Evaluation of corrosion inhibitor in the middle section of RCC wet press.
- 1.3.3.3 Future plans for research and development, improvement, and innovation (technology).
- a. Development of new methods for evaluating emulsifiers.
  - b. Development of clay-resistant product.
  - c. Assessment of the efficiency and effectiveness of the DCU C1501.
  - d. Development of competitive products against polymer for the after-stage bio-treatment system of high-TDS waste water.
  - e. Recycling plan for low-TDS water.
  - f. Install early warning system for transit abnormality in conjunction with smart factory and AI application policies.
  - g. Improve effective monitoring hours of the connection to the flare towers in all factories in alkene facilities.
  - h. Improvement on power consumption of large-scale windmills in the boiler ventilation system of the utilities department.
  - i. Addition of air pollution prevention equipment and renovation of relevant equipment for coal-combusting CFB in Utilities Plant 4.

## 1. 4 Short-Term and Long-Term Business Development Plans

### 1.4.1 Short-term plan (2020)

Period	Product (Service)	Description
Short Term	Oil Products Production	<ol style="list-style-type: none"> <li>1. In accordance with the International Maritime Organization (IMO)'s regulations for reducing the sulfur content in fuel oil, the Company has gradually enhanced the desulfurization capacity of heavy oil and increased the production capacity of low-sulfur fuel oil by taking steps such as changing the internal components of the RDS unit reactor, replacing catalysts, improving pipeline / equipment materials and newly-added equipment.</li> <li>2. Replacing the top and bottom heads for delayed coker units (DCU). The safe interlock for the current flip-top top and bottom head is not reliable enough. The new flat top / bottom head machines and a central feeding device improve operation safety and equipment reliability.</li> <li>3. The second hydrodesulfurization unit (HDS) unit's reactor inlet / outlet heat exchanger was replaced with a coil-wound heat exchangers to increase operational availability and maintain the quality and production capacity of 10 ppm super diesel.</li> </ol>
	Oil Products Sales	<ol style="list-style-type: none"> <li>1. With respect to domestic sales, FPCC's short-term plan include: continuing to expand gasoline and diesel sales, increasing gas stations numbers, holding various promotional campaigns in cooperation with gas station operators, securing customers from public institutions and private businesses by exploiting geopolitical advantages, and intensifying products promotion through the media. Also, FPCC will assist station operators with elevating service quality and improving the operational environment of gas station, actions including: refurbishing station layout, continuously promoting the self-service system, encouraging the use of energy-saving LED lights, and implementing the new POS system, all of which are intended to strengthen Formosa Plastics' brand image and attract more consumers to come to use the gas station services.</li> <li>2. In terms of gasoline export, at present, the Company continues to sign long-term supply contracts with international oil companies. In addition to consolidating major markets such as Singapore and Malaysia, the Company also actively sells its petrol to the Middle East when there is possibility for arbitrage. The Company stays updated with the quality petrol on the international market to give timely feedback to the refinery for</li> </ol>

Period	Product (Service)	Description
		<p>immediate adjustments, seeking opportunities to export our petrol to Western markets such as Central and South America and Africa.</p> <p>3. With respect to diesel export, in 2020, FPCC signed annual contracts with 9 primary customers to ensure stable supply in the Southeast Asian market. In addition, FPCC will actively create a cooperative relationship with major oil companies and traders to expand the market into New Zealand and Australia, and will also seek for opportunities to sell diesel to emerging markets such as Africa and South America for arbitrage.</p> <p>4. In terms of the export of aviation fuel, the refinery has a geographical advantage to offer stable supply to the Hong Kong market while strengthening cooperation with traders to expand aviation fuel to regions with fixed import demand, such as Australia and the Philippines.</p> <p>5. In terms of fuel oil, the Company has maintained good relationship and close communication with major oil producers and traders, actively strengthened its market share in the major market of Singapore, and make spot sales once inventory status and market demand is allowed.</p> <p>6. In terms of liquid petrochemical gasoline, the Company's LPG material is mainly delivered to China for the production of oil. Because China's oil product quality is continuously upgraded in recent years, the market demand is intensifying, and the Company will carry on to put effort in the market of China.</p> <p>7. With respect to the base oil, the potential impact of COVID-19 on the economic growth in China has led to the prediction that demand from the Chinese market will not recover in a short period of time. Moreover, this will weigh on other Asian markets. Coupled with the possibility of ECFA coming to an end and the impact of the gradual tariff reduction in China and South Korea as the result of the FTA, the competitive advantage of Taiwan's base oil sales to China will slowly disappear. As a response measure, is necessary to further decentralize sales markets to India and Southeast Asia.</p> <p>8. With respect to lubricants, FPCC will strive to establish a comprehensive distribution system to achieve the goal of increasing product application showcases and developing crucial customers.</p>



Period	Product (Service)	Description
	Petrochemical Products	<p>Products like ethylene, propylene, butadiene are mainly delivered to FPCC's downstream plants (including Linyuan Plant and Ningbo Plant) for production.</p> <p>FPCC's estimated overseas sales plan for the aforementioned products is as follows:</p> <ol style="list-style-type: none"> <li>1. With respect to ethylene and propylene: Due to the fact that the export volume is small, the effort will mainly be made to catch the supply and demand changes in the Asian market so as to export products through spot sales for inventory cleanup and to stabilize market prices.</li> <li>2. With respect to butadiene: FPCC plans to sign sales contracts with foreign traders and domestic businesses users outside FPCC, and meanwhile keep abreast of the supply and demand changes in the Asian butadiene market so as to make export at spot sales for inventory cleanup.</li> <li>3. With respect to the IPM plants (isoprene crackers): FPCC will continue to expand domestic and foreign customer base so that it can maintain market share and effectively clean up inventories. Furthermore, the Company will negotiate supply contracts with major users to ensure consistent sales and stabilize the operation of its isoprene plants.</li> </ol>
	Utility	<ol style="list-style-type: none"> <li>1. Ensure a stable steam supply.</li> <li>2. Ensure the safety of the power supply system.</li> <li>3. Consistently promote various improvement procedures for energy conservation (electricity, coal), water saving, and carbon reduction.</li> <li>4. Improve the safety system and related procedures, and implement self-regulating health and safety management model as well as disaster prevention plan.</li> </ol>

#### 1.4.2. Long-term plan (2021 and after)

Period	Product (Service)	Description
Long Term	Oil Products Production	<p>The third sets of Hydrodesulfurization Unit (HDS#3) and Catalyst Circulation and Regeneration (CCR) unit are under construction. The new facilities will allow the quality of gasoline and diesel produced in all of the Company's crackers to comply with the</p>

Period	Product (Service)	Description
		latest regulations. There is another plan made to recycle the ammonia (NH <sub>3</sub> ) in the recycled acid water produced in the production process of the acid water stripping (SWS) unit. This improvement can help the Company to fulfill the goal of waste reduction and resource recycling and reuse.
	Oil Products Sales	<ol style="list-style-type: none"> <li>1. With respect to domestic sales, FPCC will continue to make improvements in production processes as well as its storage and transportation operations in order to fortify business partners' operational competitiveness and provide our customers with a safe and environmental-friendly service environment at a high-quality level. FPCC will also perform a combined use of various media channels, diversified promotional activities and cross-industry affiliation marketing to enhance the public awareness of the brand image of Formosa Petrochemical Corp as well as its product quality.</li> <li>2. In terms of gasoline export, in addition to stabilizing and expanding the current market profit base, the Company will avidly keep updating information about market changes. The Company must strive to develop new markets, diversify sales risks and improve terminal shipping efficiency, etc., to achieve the goal of export specification diversification and sales optimization.</li> <li>3. With respect to diesel export, FPCC is committed to improving the quality of its diesel product in order to meet various countries' increasingly stringent requirements in oil quality. At the same time, regularly analysis regarding the supplies and demands of the diesel market will be performed by the Company in order to have a good command on the growth of those major niche markets. All of the above will be carried out in cooperation with international large-scale oil companies as well as traders through a comprehensive global channel system which aims to promote the sales of FPCC's products in the international market arena.</li> <li>4. With respect to the export of aviation fuel, the main goal is to consolidate sales in the nearby demand markets such as Hong Kong and the Philippines, etc., and in the meantime, to expand sales into Australia and the emerging markets in Southeast Asia. Also, consistent cooperation with major oil companies and traders will be made to transport aviation fuel to the European market and the US market, during a time when the product price is favorable for profit arbitrage.</li> </ol>

Period	Product (Service)	Description
		<p>5. In terms of fuel oil, refining operations will be constantly and diligently improved to be in compliance with the International Maritime Organization's (IMO) new regulations regarding low-sulfur fuels. Aside from the above, effort will be made to expand market into new sectors such as fuel for electricity generation, and fuel for boilers, etc.</p> <p>6. In view of LPG, the Company will reduce LPG export and instead transfer capacity to produce high-value products to be sold in the domestic market for the purpose of enhancing profitability.</p> <p>7. In view of base oil, since lubricant manufacturers that values quality will not simply change the formula, the Company will actively build long-term cooperative relationships with well-known lubricant manufacturers to offer a stable supply for their formulas. In addition, as most of the developing countries in Southeast Asia have imposed restrictions on marine transportation and storage, the Company will increase relevant shipping devices in order to effectively ensure continuous sales to neighboring Southeast Asian countries, diversifying shipment methods for base oil exports. The Company also hopes to further increase domestic sales by encouraging domestic customers to strive for OEM orders from well-known lubricants manufacturers.</p> <p>8. With respect to lubricants, the goal is to increase market share and build brand value.</p>
	Petrochemical Products	<p>1. Providing a full supply of ethylene, propylene and butadiene for internal downstream businesses will still be the primary goal, and only remaining stock will be exported for the purpose of inventory cleanup. This can ensure full production is operated in FPCC's naphtha crackers to further create more profits for the Company.</p> <p>2. Future goals also include: Improving operation efficiency in the isoprene plants as well as keenly securing deals with domestic customers such as TSRC, LCY, Hungta, Jinlong, and Eternal Materials, etc. In terms of export, Europe, the United States, Japan, and China will still be FPPCC's main market targets. For the long run, building downstream plants will play a crucial role. For example, HSBC plant and HHCR plant created by a joint venture with the US company, Kraton and Idemitsu Kosan from Japan respectively, has started producing and shipping</p>

Period	Product (Service)	Description
		goods in a stable mode.
	Utility	<ol style="list-style-type: none"> <li>1. Based on the demand for utility fluids in the Mailiao Industrial Complex, the Utility Department will make every effort to satisfy all the various demands required in various process plants while reinforcing logistic scheduling and process improvement to ensure the stability of supply.</li> <li>2. It is planned to establish a desalination plant to guarantee</li> <li>3. sufficient water supply in the Mailiao Industrial Complex.</li> <li>4. Air pollution control equipment such as wet electrostatic precipitators, low nitrogen burners and desulfurization absorber towers will be added to further reduce the emission of TSP, NO<sub>x</sub> and SO<sub>x</sub>.</li> </ol>

## 2. Overview of Markets, Production, and Sales

### 2.1 Market Analysis

#### 2.1.1 Major market areas

Unit of Sales Amount : NT\$ million

Product	Unit	Sales Volume	Sales Amount	Main Sales Territory
Naphtha	KT	3,367	55,277	Taiwan, China, Southeast Asia
Gasoline	KL	5,430	93,060	Taiwan, Southeast Asia , South Asia
Diesel	KL	10,897	171,680	Taiwan, Southeast Asia, North East Asia
Jet Fuel/Kerosene	KL	2,737	41,842	Taiwan, Hong Kong, New Zealand and Australia
Fuel Oil	KL	1,215	16,179	Taiwan, Southeast Asia
Base Oil	KL	902	14,835	Taiwan, China, Southeast Asia , South Asia, Europe
LPG	KT	587	11,516	Taiwan, China
Petrochemical	KT	6,918	172,077	Taiwan, China, North East Asia, Southeast Asia
Electricity	GWH	10,808	23,502	Taiwan
Steam	KT	14,613	13,815	Taiwan

Noted : Petrochemical includes ethylene, propylene, butadiene, pyrolysis gasoline and etc.

2.1.2 Market shares in major market areas and the forecast of supply and demand, and growth

Product	Market share	Future market status of supply and demand and growth
Gasoline and diesel	20.7%	By the end of 2019, FPCC's oil supply was delivered to 514 gas stations in total. Although the minimum safe oil storage standard has been lowered and the import tariffs on gasoline and diesel has been lifted (zero tariff) by the government to encourage the import of gasoline and diesel, the domestic oil price is still much deviated from the international level basically due to government intervention in the past, and this has deterred other companies from importing oil into Taiwan and joining the domestic market. It is estimated that in the future, FPCC and CPC will still remain the only two oil suppliers in Taiwan.
Ethylene	66.0%	Domestically, there is no new construction plan made to build new crackers as of yet. In terms of new capacity production in Asia in 2020, it is estimated to create an additional 9.92 million tons/year of capacity of ethylene in total. This includes new plants built in Mainland China which will produce a capacity of 5.7 million tons/year, including Zhejiang Petroleum & Chemical Co. Ltd. Phase 1 at 1.4 million tons/year, Hengli Petrochemical Co. Ltd. at 1.5 million tons/year, Liaoning Bora Enterprise Group at 1 million tons/year, Sinochem Quanzhou Petrochemical Co, Ltd. at 1 million tons/year and other new capacity at 3.37 million tons/year from the first period of ethane cracker by Zhejiang Satellite Petrochemical Co., Ltd., the Propane cracker, Methanol to Olefins (MTO) and Coal to Olefins (CTO) of Wanhua Chemical Group Co., Ltd. There is also PTT Chemical Public Co., Ltd. who has created a newly increased production capacity of 0.5 million tons/year in Thailand, and YNCC, who has created 340 thousand tons/year in South Korea. In the Middle East, only 340 thousand tons/year of capacity is added in Oman. In the United States, there are new ethane crackers with

Product	Market share	Future market status of supply and demand and growth
		a capacity of 1.75 million tons/year (0.5 million tons/year by Shin-Etsu and 1.25 million tons/year by FPC USA). The scheduled inspection plan for naphtha cracking plants in Asia in 2020 is the same as that of 2019. Although the period during scheduled inspection will help stabilize the price of ethylene, increased supply from China and the decrease in consumption caused by Covid-19 is estimated to significantly reduce the ethylene import demand from China this year. In addition, the cost advantage of ethylene and PE from the United States will continue to increase the export volume, which is expected to further exert pressure on the prices of ethylene and PE in Asia.

### 2.1.3 Advantages and disadvantages of competitive niche and future development vision, and responsive policies

#### Advantages:

#### (1) Vertical integration and economic scale

FPCC is situated in the upstream of the petrochemical industry, and directly makes supplies to factories in the midstream and the downstream. In Mailiao Industrial Complex, FPCC has formed an integrated supply chain along with other businesses partners, so product production and sales can be effectively planned and scheduled; the large-scale production system can not only bring about economy of scale, but related manpower and shared resources can also be streamlined to reduce production costs and avoid idleness and waste. This further aligns FPCC's business with the benefit of economy of scale in production and enhance business competitiveness, while boosting the Company's market strength both domestically and overseas.

#### (2) Advanced and flexible manufacturing process (multiple feedstocks)

FPCC's technology and equipment are the most advanced in the industry among all in Asia. The Company's refinery can use lower-priced high-sulfur crude oil as feedstock, and after the desulfurization process, produce low-sulfur but higher-priced fuel products which comply with many high environmental protection standards domestically and abroad. This has increased the product added value. Also, FPCC's manufacturing process features optimal flexibility in production and operation, so it is possible to make adjustments in the proportion of product outputs to maximize profit. The Company's naphtha crackers can be adjusted to be fed with either naphtha or LPG, based on the assessment result of

cost-effectiveness, so this enables the goal of profit maximization to be achieved.

(3) Adjacent to deep water port and private-owned fleets of vehicles and tankers

Mailiao Industrial Complex is adjacent to the Mailiao Industrial Harbor, which can facilitate mass import and export of raw materials and finished products as well as the transportation for them. This can not only effectively control transportation cost, but because products are collaboratively shipped and transported by affiliated businesses' self-operated tanker fleets and oil-filling vehicle fleets, the risk of material shortage as well as related inventory cost can be reduced.

(4) Development of high-value products

Compared with other ethylene plants in the Middle East and the United States which is fed with ethane and therefore has limited heavy oil output, FPCC's naphtha crackers use light oil as input, and therefore can produce heavy oil products to be continuously used in the development of petroleum resin derivatives and then increase profits.

(5) Proprietary cogeneration system

FPCC's cogeneration plants can stably supply utility liquids such as steam and electricity which is needed in various production processes. This can also release Taipower's burden in power supply and, for FPCC, reduce the possibility of loss incurred due to power supply breakage. FPCC also signs a power sale contract with Taipower for selling back remaining power.

Disadvantages and responsive policies:

(1) Crisis occurred from the fluctuations of raw material supply and the prices

The main raw materials used by FPCC, including crude oil, naphtha, and coal, must all be imported. If there is a breakout of a war, a disaster, a political dispute, or a surge in the sea freight price, the stabilization of raw material supply will be affected.

Countermeasure:

Superior technologies in refining allow FPCC to have full flexibility in the manufacturing process. FPCC's crude oil is purchased from various oil-producing countries, and the Company has also signed long-term purchase contracts with foreign oil merchants and coal merchants to spread risks. In addition, the development of diversified input can allow naphtha feeds to be replaced by LPG so the Company's dependence on naphtha will be minimized. As a result, our policies properly prevent instability in raw material supply and further provide effective control on the purchase cost of materials.

(2) Fluctuations of currency exchange rate

Because overseas raw materials are sold in foreign currencies, currency exchange rate thus has a crucial impact on the import cost.

Countermeasure:

Currency exchange rate is closely monitored within FPCC, so currency exchange transactions and hedging via foreign currency forwards are timely made to reduce the impact from currency exchange rate fluctuations on raw material imports.

(3) Geopolitics and the China-U.S. trade dispute

The Company's raw material, naphtha, and the product prices are deeply affected by the economic conditions of the oil-producing countries, the United States, and China. If there are significant fluctuations in the international economy, oil prices and the related product prices will be impacted by the market uncertainty and economic volatility.

Countermeasure:

Closely monitor market dynamics to create optimal production strategies and maintain flexibility in logistic planning.

(4) Increased capacity in China / U.S.

The China's production capacity for petro-chemical products has surged, with new cracking plants being put into operation in the U.S. one after another. The drastic increase in the supply of petrochemical products and the obstacle to inventory closeout within a short period of time will contribute to a drastic decrease in the petro-chemical product price.

Countermeasure:

Continue to engage in personnel training and process improvement to maintain stable equipment operations and lower production costs.

(5) The quota permitted for the operation of the cogeneration units is restricted

There is a total of 16 sets of cogeneration units installed within the Company's production plants. However, the production capacity, the fuel-burning quota, and the emission quota stated in the license for the operation of the Company's 14 cogeneration system units including UPA/C, MP1-5, HP1-5 and CFB1/2 was unreasonably lowered by Yunlin County Government when the Company applied for the extension of the Certificate for the Operation of Specific Pollution Resource. To avoid exceeding the lowered limits but still maintain the normal operation of the Mailiao Industrial Complex, the Company has adopted an operation-downgrade plan to tackle the problem. However, remaining electricity to be sold back to Taiwan Power Company is



consequently reduced.

Countermeasure:

The Company has filed a litigation to appeal for the unreasonable restriction of the license for the Company's cogeneration units by the County Government. The case is currently under review by the court.

## 2.2 Main Use and Production Process for the Major Products

### 2.2.1 Main use:

- (1) Naphtha: It is used as an input of raw material for the naphtha crackers and aromatics plants to produce products such as ethylene, propylene and aromatics required by the downstream petrochemical industry.
- (2) Oil Products: Gasoline, jet fuel, diesel, fuel oil, etc. Which can be used to drive machinery (such as vehicles, ships, aircraft) or as a fuel for boilers and furnaces.
- (3) Base Oil: It is a main raw material for automotive and industrial lubricants, and an additive for fiber and fabric lubrication brighteners, rubber plasticizers, plastics, hot melt adhesives, silicones, inks, etc.
- (4) Ethylene: Plastic chemical fiber raw materials and chemicals such as PE, SM, EVA, EG, VCM, etc.
- (5) Propylene: Plastic chemical fiber raw materials and chemicals such as PP, AE, AN, ECH, 2EH, etc.

### 2.2.2 Manufacturing process:

- (1) Refining: crude oil → distillation → refining → blending → oil products
- (2) Naphtha cracking: naphtha → cracking → quenching → rectification → ethylene, propylene

## 2.3 Supply Status of the Major Raw Materials

### 2.3.1 Major raw materials:

- (1) Crude oil: It is procured from major oil-producing countries and regions in the world, such as Saudi Arabia, Kuwait, and Oman in the Middle East.
- (2) Naphtha: The main source is from the Middle East, such as Saudi Arabia, Kuwait, the United Arab Emirates, etc.
- (3) Dust coal: It is mainly procured in Australia and Indonesia.

### 2.3.2 Procurement management:

The company has procured general raw materials through an online electronic platform to ensure the process is fair and legal, and to prevent fraudulent transactions. Requirements in procurement cases are made through open requests on the Internet. Suppliers can quote only after confirming their identities through their electronic signatures, which can ensure safety and fairness throughout the overall operation process and shorten the time needed. This can help achieve a win-win situation between the Company and its suppliers. At present, there are more than 10,000 suppliers active on this electronic platform.

2.4 Names of Related Parties whose Total Amount of Purchases (or Sales to) for the Current Period Reaches Ten Percent or More of the Company's Total Amount of the Purchases (or Sales) over the Recent Two Years, Percentages of the Related Parties' Purchases (or Sales), and Explanations of the Reasons for Changes.

2.4.1 Major suppliers: See page 142.

2.4.2 Major customers: See page 143.

## Major Suppliers

Unit: NT\$ Million

Item	2018				2019				2020(As for the previous quarter)			
	Name	Amount	Annual Net Purchase Ratio (%)	Relationship With Issuer	Name	Amount	Annual Net Purchase Ratio (%)	Relationship With Issuer	Name	Amount	Net Purchase Ratio As For Previous Quarter (%)	Relationship with Issuer
1	ARAMCO	140,793	21.83		ARAMCO	134,189	24.60		ARAMCO	35,603	26.47	
2	KPC	118,094	18.31		KPC	106,206	19.47		KPC	27,471	20.42	
3	SHELL	73,013	11.32		SHELL	51,149	9.38		SHELL	13,423	9.98	
4	GLENCORE	32,420	5.03		GLENCORE	26,864	4.93		UNIPEC	8,623	6.41	
5	VITOL	29,665	4.60		TRAFIGURA	21,417	3.93		BP SINGAPORE	5,848	4.35	
6	FCFC	29,556	4.58	Note 1	VITOL	20,418	3.74		FCFC	4,996	3.71	Note 1
7	ADNOC	21,768	3.37		UNIPEC	18,137	3.33		GLENCORE	4,490	3.34	
8	CHINA ZHENHUA	20,010	3.10		ADNOC	17,803	3.26		ADNOC	4,472	3.32	
9	SOCAR	17,717	2.75		FCFC	15,973	2.93	Note 1	VITOL	4,046	3.01	
10	GUNVOR	14,153	2.19		TOTAL	15,108	2.77		OIL MARKETING	3,903	2.90	
	Others	147,902	22.92		Others	118,173	21.66		Others	21,635	16.09	
	Net Purchase Amount	645,091	100.00		Net Purchase Amount	545,437	100.00		Net Purchase Amount	134,510	100.00	

Note1: Investors who apply the equity method in the evaluation of the Company's equities

Reasons for the differences:

Imported crude oil accounts for a large portion of the Company's purchase. Crude oil is mainly sourced from various oil-producing countries in the Middle East. Compared with last year, the proportion of purchase from various oil companies and oil traders has not changed significantly, due to the average price of international oil products decreasing in 2019 compared to that in 2018, so our purchase cost has decreased.

## Major Customers

Unit: NT\$ Million

Item	2018				2019				2020 (As for the previous quarter)			
	Name	Amount	Annual Net Sales Ratio (%)	Relationship With Issuer	Name	Amount	Annual Net Sales Ratio (%)	Relationship With Issuer	Name	Amount	Net Sales Ratio As For Previous Quarter (%)	Relationship With Issuer
1	FCFC	151,547	19.74	Note 1	FCFC	100,366	15.54	Note 1	FCFC	26,714	19.42	Note 1
2	FPC	108,251	14.10	Note 1	FPC	89,392	13.84	Note 1	FPC	17,909	13.02	Note 1
3	WINSON	72,426	9.44		WINSON	53,626	8.30		WINSON	12,290	8.94	
4	NYPC	47,292	6.16	Note 1	NYPC	36,668	5.68	Note 1	NYPC	8,426	6.13	Note 1
5	SIMOSA	32,468	4.23		PETROCHINA HK	26,289	4.07		BP SINGAPORE	5,698	4.14	
6	PETROCHINA HK	30,556	3.98		PTT	23,410	3.62		NPC	4,185	3.04	
7	CHINA AVIATION	20,243	2.64		BP SINGAPORE	21,660	3.35		PETROCHINA HK	3,992	2.90	
8	NPC	20,122	2.62		NPC	20,407	3.16		VITOL	3,452	2.51	
9	VITOL	18,893	2.46		CHINA AVIATION	18,237	2.82		CHINA AVIATION	3,258	2.37	
10	BP SINGAPORE	18,657	2.43		SIMOSA	17,632	2.73		ASIA PACIFIC	3,025	2.20	Note 2
	Others	247,095	32.20		Others	238,336	36.89		Others	48,582	35.33	
	Net Sales Amount	767,550	100.00		Net Sales Amount	646,023	100.00		Net Sales Amount	137,531	100.00	

Note 1: Investors who apply the equity method in the evaluation of the Company's equities

Note 2: Investees accounted for using the equity method

Reasons for the differences:

Most of FPCC's petrochemical raw materials are sold to the downstream businesses located in Mailiao Industrial Complex, including affiliated companies such as Formosa Plastics Group, Nan Ya Plastics, Formosa Chemicals & Fiber Corporation, etc.

Main sales targets of oil products have not changed much in comparison with those in 2018.

## 2.5 Production over the Last Two Years

Unit: NT\$ Million

Products	unit	2018			2019		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Naphtha	KT	4,000	4,136	78,008	4,000	3,861	62,977
Gasoline	KL	6,000	6,053	107,228	6,000	5,497	93,029
Diesel	KL	10,000	11,194	106,833	10,000	10,854	170,551
Jet Fuel / Kerosene	KL	2,300	2,767	45,371	2,300	2,663	40,720
Fuel Oil	KL	1,030	1,475	19,014	1,030	1,215	16,289
Base Oil	KL	758	704	13,971	758	866	14,252
LPG	KT	730	640	13,515	730	586	11,506
Petrochemicals (Note1)	KT	7,100	7,320	220,608	7,100	6,972	173,583
Electricity	GWH	24,125	14,789	32,493	24,125	14,109	30,679
Steam (Note2)	KT	101,441	21,589	19,871	101,441	19,802	18,720

Note 1: Petrochemicals includes ethylene, propylene, butadiene, pyrolysis gasoline and etc.

Note 2: Steam production capacity is calculated based on the main capacity produced from boilers. Steam production only refers to the amount used by production plants, and does not include the amount of steam used to generate electricity.

## 2.6 Sales over the Last Two Years

Unit: NT\$ Million

Products	Unit	2018				2019			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Naphtha	KT	4,110	78,880	—	—	2,694	44,150	673	11,127
Gasoline	KL	2,013	48,364	3,927	58,926	2,132	48,491	3,298	44,569
Diesel	KL	1,167	26,109	10,054	160,577	1,228	26,339	9,669	145,341
Jet Fuel/Kerosene(Note 1)	KL	21	402	2,802	45,888	26	441	2,711	41,401
Fuel Oil	KL	53	773	1,438	18,428	42	666	1,173	15,513
Base Oil	KL	196	4,088	502	9,770	225	3,906	677	10,929
LPG(Note 2)	KT	561	12,175	80	1,347	556	11,032	31	484
Petrochemicals	KT	7,070	211,604	256	9,172	6,546	163,147	372	8,930
Electricity	GWH	11,438	25,129	—	—	10,808	23,502	—	—
Steam	KT	16,590	15,270	—	—	14,613	13,815	—	—

Note1: Supplies in airports are calculated as export.

Note 2: Petrochemicals includes ethylene, propylene, butadiene, pyrolysis gasoline and etc.

### 3. Employees

Employees, average seniority, average age, and educational background over the last two years:

Year		2018	2019	The year before 31st March,
Number of Employees	Supervisor	1,118	1,162	1,147
	Grassroots	4,167	4,176	4,145
	Total	5,285	5,338	5,292
Average age		41.16	41.88	42.05
Average seniority		12.74	13.44	13.71
Educational Background (%)	PhD	0.11	0.11	0.11
	Master	12.49	12.70	12.81
	Bachelor	54.21	54.21	54.33
	Senior high school	33.09	32.88	32.65
	Under senior high school	0.10	0.10	0.10

Note : The number of employees includes regular contractors, contract employees, Work-study Student and directors (including independent directors)

### 4. Labor Relations

#### 4.1 Human Resources Policies

Employees are an important asset of FPCC. The Company has strived to pursue the goal of making every employee work to their full strength without worries. In order to attract outstanding talents, FPCC provides stable and competitive rewarding packages and a wide range of welfare measures. Together with comprehensive training, job assessment, and multiple promotion development schemes, FPCC's human resource has achieved the goal of being fully developed. Meanwhile, this ensures employees' well-being and rights are maintained, and labor-management communication mechanism is reinforced, which then fulfills the essential corporate policy of harmonious labor relations.

#### 4.2 Employee's Welfare Policies, Education, Trainings, Retirement System and Implementation Status, Agreement between Employees and Employer, and procedures to Maintain Employees' Rights and Interests:

##### 4.2.1 Remuneration:

FPCC's salary remuneration policy is set reasonably according to the labor market standard, and is reviewed annually. Bonuses are issued based on corporate operational performance, such as bonuses for Dragon Boat Festival,

Mid-Autumn Festival, and Lunar New Year (also known as a year-end bonus).

#### 4.2.2 Employee care and welfare procedures:

In order to allow employees to make a balance between work, health, and daily life, a variety of employee care schemes and employee welfare procedures are promoted within the Company.

- (1) Employee welfare: In addition to cooperative shops, restaurants, hairdressing, laundry, catering, libraries, infirmaries, sports facilities, bowling alley, pool room, karaoke room, amateur training classes, game competitions, domestic and international tours, annual welfare products, birthday gifts, and children's scholarships, all of which are operated by the Welfare Committee, FPCC additionally provides discounts for employees and their families who go to Chang Gung Memorial Hospital for medical treatment. In addition to the above benefits, there are stock awards, wedding and funeral compensations, year-end party subsidies, and comprehensive living facilities in the factory area. On top of the various leisure activities organized for employees, such as sports games, domestic tourism activities, and various club activities, the Company's sick leave payment and death pension is also better than legal requirement.
- (2) Communication structure: Communication meetings with supervisors are held regularly at all levels, and the enterprise magazine is issued as well. Besides, employees can send letters to the employee mailbox, make calls to the employee response hotline, or talk to dedicated counselors to express their opinions.
- (3) Innovation incentives: Bonus is set up for rewarding IE proposals and encouraging employees to discover abnormalities at work as well as making proper improvement plan. Reward is issued based on the improved result and the period at which an innovative idea is proposed and adopted. Apart from the above, an innovation platform website is set up for employees to discuss their professional issues, and provide appropriate rewards for good innovators.
- (4) Implementation status: Good.

#### 4.2.3 Staff development, employee training and education

Employee's career development and growth is important for FPCC. From the first day of joining FPCC, an employee is arranged to participate in various pre-employment trainings, basic job trainings, and regular work rotations in addition to many other professional trainings. Ad hoc lectures are held to inform employees of changes in laws, new technologies, and new systems, so that employees can update their knowledge at all times.

In 2019, the Company held a total of 3,874 professional training courses, achieving a total of 64,317 head counts of participation. This means the average number of training received by each employee is 40.1 hours.

In addition, training courses for supervisors are regularly held at all management levels, along with classes for new employees with a bachelor's or



an associate degree, and different pre-employment or basic job trainings. Employees must complete the required training before they can be recruited or qualified for a promotion.

#### 4.2.3.4 Retirement system

##### (1) Retirement application

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

- A. Those who have served for more than 15 years and are over 55 years old.
- B. Those who have served for more than 25 years.
- C. Those who have served for more than 10 years and are over 60 years old.

##### (2) Compulsory retirement

An employer shall not force a worker to retire unless either of the following situations has occurred:

- A. Where the worker attains the age of sixty-five. A senior management executive (inclusive) and above, can postpone until they attain the age of seventy, senior management personnel and president can postpone until they attain the age of seventy-five as well.
- B. Where the worker is unable to perform his duties due to mental handicap or physical disability.

##### (3) Retirement pension:

Retirement pension is issued in accordance with the following regulations:

- A. Pension for service period on and before July 31st, 1984 is calculated based on the Retirement Rules of Taiwan Province for Factory Employees, and the average salary of the three months prior to retirement is taken into account. Pension for service period on and after August 1st, 1984 is calculated based on Article 55 of the Labor Standards Act, and the average salary of the six months prior to retirement is taken into account. However, the total of the above two is limited to a maximum number of 45 bases.
- B. For an employee who has mental disorder or physical disability occurred in his or her work duties and can no longer fulfill the work responsibilities, the pension for the aforementioned employee is issued according to the preceding paragraph and plus 20%.
- C. The Labor Pension Act is enacted as of July 1st, 2005. For employees applicable to the Act, the Company shall contribute 6% of employee's monthly salary to individual employee's account on a monthly basis pursuant to the Act. Pension for employees who choose to stay in the old labor retirement system, or who has reserved seniority applicable to the old labor retirement system, shall be handled in accordance with the preceding two paragraphs.

(4) Implementation status: Good.

#### 4.2.5 Code of conduct and ethics at work

With regard to personnel, attendance, access to the factory, sexual harassment prevention, etc., the Company has clearly specified management rules to regulate employees' behaviors, such as:

- (1) Personnel management rules: To stipulate the duties, appointments and dismissals, remuneration, attendance, and rewards and punishments.
- (2) Performance assessment methods: To serve as the basic criteria to assess employees' performance.
- (3) Rules for establishing the measures of prevention, correction, complaint and punishment for sexual harassment at workplace: The Rules are implemented to prevent sexual harassment and ensure gender equality.
- (4) Rules for factory access management: To regulate related compliance matters during the entrance and exit of factories.
- (5) Work rules: It is a collection of important employment-related regulations and codes, and is compiled into a book and distributed to each employee.

Rules are updated or repronounced from time to time through an internal electronic bulletin board to make deep impressions on employees, and employees' work behavior is considered as an important reference in routine performance evaluations conducted by supervisors. As for routine performance evaluation, records about an employee's performance should be made at least once a month and be communicated with the employee face to face by the supervisor, and both of these shall be taken into account in the year-end assessment to ensure objectivity in job appraisals. Employees who have special good or abnormal behaviors shall be rewarded or punished appropriately. In 2019, there were a total of 31 people receiving administrative rewards for their superior performances and a total of 35 people subject to punishment for astray conducts, and 21 people were selected as excellent employee of the Year.

#### 4.2.6 Protective procedures for working environment and employee safety

To demonstrate management team's determined spirit, the Company's Health and Safety Policy was announced by the Chairman, and on October 2nd, 1999, a department and team staff (Safety & Health Department) were established to specialize in the promotion of safety and health-related matters within the Company. The Department not only promotes a management system to fulfill environmental health and safety, but also implement procedures to secure the certificate of ISO-14001 (Environmental Management System) and OHSAS-18001 (Occupational Health and Safety Assessment).

To provide an environment with safety and physical protection at work is a goal

for which FPCC consistently pursues. Therefore, in the pre-construction stage of plant design, the Company would already develop relevant procedures to make sure a construction is in compliance with domestic laws, international regulations, and internal corporate regulations. When a construction is in progress or a plant is put in operation, concerns regarding the comprehensibility of equipment and tools and employees' self-inspection on safety would be seriously considered to ensure a workplace is secure. Furthermore, appropriate equipment to protect operational safety is provided to ensure physical safety of employees at work.

In addition, a multiple of standard operating procedures are established to regulate employees' behaviors in both general and dangerous jobs. Each employee is given the "Safety and Health Manual" and the "Operational Hazard and Risk Reminder Card" to serve as a reminder of work safety at all times. Health and safety procedures are also promoted all across the Company by campaigns and interviews to make sure that all employees have fully understood and have applied the procedures to their work. All of these procedures are created in the hope to achieve the goal of "zero accident in work safety".

#### 4.2.7 Labor and management negotiations

- (1) Regular labor-management meetings are held to establish negotiation mechanism between the two parties.
- (2) An employee complaints system is established to enhance labor-management relations.
- (3) Rules for different jobs and personnel management are created which clearly stipulate matters relating to the rights, obligations, and the management of both parties, so that employees can fully understand and protect their rights and interests.

#### 4.2.8 Labor disputes: None.

## 5. Expenses on Environmental Protection

### 5.1 Total Losses and Fines for Environmental Pollution for the Most Recent Fiscal Years:

Item \ Year	2019	2020 (As of printing date)
Status of pollution (type and level)	Air pollution, waste, etc.	Air pollution etc.
Compensation recipient/organization of punishment	Yunlin County Government, Tainan City Government	Yunlin County Government
Compensation recipient/organization of punishment	NT\$18.2 million	NT\$3.2million
Other losses	-	-

### 5.2 Description of losses due to Environmental Pollution:

Item No.	Issue Date	Government Letter No.	Provision Violated	Cause of Penalties	Penalty of Fines	Response Measure
1	20190129	1080010586	Waste Disposal Act Article 52	The lime by-product produced by the Utilities Plant 4 was not entrusted to a public or private waste clearance and disposal organization with a permit issued by the competent authority, and the issue was not addressed during the time period stated.	NT\$3 million	1. In litigation. 2. Cause for litigation: The use of by-product lime was registered as a legal product of the Yunlin County Government at the time.
2	20190308	1083602497	Air Pollution	Construction	NT\$100	The principles

Item No.	Issue Date	Government Letter No.	Provision Violated	Cause of Penalties	Penalty of Fines	Response Measure
			Control Act Article 16-2	projects were launched without having declared the air pollution control fees for construction projects prior to the deadline.	thousand	for the declaration of air pollution control fees for construction projects have been stipulated with a clear scope of applicable construction projects.
3	20190328	1080022924	Air Pollution Control Act Article 23-1	The net detection value of the oil-water separation tank of the Alkene Plant 1 is greater than 1,000 ppm, which is not air tight.	NT\$100 thousand	1. In litigation. 2. Cause for litigation: The disciplinary authority did not confirm the specific volatile organic compounds caused the 3,997.8 ppm net detection value. Therefore, there is no ground for imposing penalty.
4	20190403	1083602992	Air Pollution Control Act Article 20-1	The net detection value of equipment components of the Alkene Plant 2 is greater than 10,000 ppm.	NT\$100 thousand	Reinforce voluntary inspections for equipment components.

Item No.	Issue Date	Government Letter No.	Provision Violated	Cause of Penalties	Penalty of Fines	Response Measure
5	20190419	1080038175	Waste Disposal Act Article 52	The lime by-product produced by the Utilities Plant 4 was not entrusted to a public or private waste clearance and disposal organization with a permit issued by the competent authority, and the issue was not addressed during the time period stated.	NT\$3 million	1. In litigation. 2. Cause for litigation: The use of by-product lime was registered as a legal product of the Yunlin County Government at the time.
6	20190627	1083607159	Air Pollution Control Act Article 16-2	Construction projects were launched without having declared the air pollution control fees for construction projects prior to the deadline.	NT\$100 thousand	The principles for the declaration of air pollution control fees for construction projects have been stipulated with a clear scope of applicable construction projects.
7	20190702	1083602899	Air Pollution Control Act Article 20-1	The net detection value of equipment components of the Alkene Plant 1 is greater than 10,000 ppm.	NT\$200 thousand	Reinforce voluntary inspections for equipment components.

Item No.	Issue Date	Government Letter No.	Provision Violated	Cause of Penalties	Penalty of Fines	Response Measure
8	20190712	1080074067	Waste Disposal Act Article 52	The lime by-product produced by the Utilities Plant 4 was not entrusted to a public or private waste clearance and disposal organization with a permit issued by the competent authority, and the issue was not addressed during the time period stated.	NT\$3 million	1. In litigation. 2. Cause for litigation: The use of by-product lime was registered as a legal product of the Yunlin County Government at the time.
9	20191001	1083611208	Air Pollution Control Act Article 16-2	Construction projects were launched without having declared the air pollution control fees for construction projects prior to the deadline.	NT\$100 thousand	The principles for the declaration of air pollution control fees for construction projects have been stipulated with a clear scope of applicable construction projects.
10	20191016	1080111215	Waste Disposal Act Article 52	The lime by-product produced by the Utilities Plant 4 was not entrusted to a public or private waste	NT\$3 million	1. In litigation. 2. Cause for litigation: The use of by-product lime was registered as a

Item No.	Issue Date	Government Letter No.	Provision Violated	Cause of Penalties	Penalty of Fines	Response Measure
				clearance and disposal organization with a permit issued by the competent authority, and the issue was not addressed during the time period stated.		legal product of the Yunlin County Government at the time.
11	20191121	1083613875	Air Pollution Control Act Article 22-3	A flashover industrial safety incident occurred in the Refinery Plant 1, and it pointed to a risk of leakage in the equipment components. However, the source of the leak was not identified and addressed within 48 hours of the incident.	NT\$100 thousand	1. In appeal. 2. Cause for appeal: The flashover industrial safety incident occurring on October 1st, 2019, was caused by a mistake in the disassembly during the safety valve performance test. It had nothing to do with a leak in the equipment components.
12	20191121	1080106400	Air Pollution Control Act Article 24-2	The annual output of liquefied petroleum gas in the Alkene Plant 3 in 2016 exceeded the approved quota by 58,200 tons /	NT\$100 thousand	1. In appeal. 2. Cause for appeal: The liquefied petroleum gas output for 2016 referred to by the



Item No.	Issue Date	Government Letter No.	Provision Violated	Cause of Penalties	Penalty of Fines	Response Measure
				more than 10% per year.		disciplinary authority was used as "raw materials" in processes after circulating back through the metering facility rather than being sold as "product".
13	20191202	1083613863	Air Pollution Control Act Subparagraph 1, Article 32-1	A fire broke out in the Refinery Plant 1 caused by large amount of naphtha leakage from naphtha condenser while disassembling the pressure gauge for replacement. The leaked material came into contact with the hot surface of the reboiler, causing a fire with visible sparks and particle dissipation.	NT\$5 million	1. In appeal. 2. Cause for appeal: The fire was an accident rather than the appellant intentionally burning something while failing to maintain safety. There was equally no evidence of particles scattering.
14	20191217	1083615351	Air Pollution Control Act Article 16-2	Construction projects were launched without having declared the air pollution control fees for	NT\$100 thousand	The principles for the declaration of air pollution control fees for

Item No.	Issue Date	Government Letter No.	Provision Violated	Cause of Penalties	Penalty of Fines	Response Measure
				construction projects prior to the deadline.		construction projects have been stipulated with a clear scope of applicable construction projects.
15	20191217	1083615348	Air Pollution Control Act Article 16-2	Construction projects were launched without having declared the air pollution control fees for construction projects prior to the deadline.	NT\$100 thousand	The principles for the declaration of air pollution control fees for construction projects have been stipulated with a clear scope of applicable construction projects.
16	20191217	1083615347	Air Pollution Control Act Article 16-2	Construction projects were launched without having declared the air pollution control fees for construction projects prior to the deadline.	NT\$100 thousand	The principles for the declaration of air pollution control fees for construction projects have been stipulated with a clear scope of applicable construction projects.
17	20200207	1083600582	Air Pollution Control Act	Abnormality took place in the	NT\$100 thousand	1. In appeal. 2. Reason for

Item No.	Issue Date	Government Letter No.	Provision Violated	Cause of Penalties	Penalty of Fines	Response Measure
			Article 23-2	naphtha pyrolysis process in Alkene Plant 2, discharging gas in the pipeline to the flare tower for treatment. The flow rate of the flare tower has exceeded the amount approved for smokeless combustion in the permit.		appeal: "Smokeless combustion design amount" is not a restriction condition for the operation of the exhaust gas combustion tower, and there is no basis for restricting the use of the competing exhaust gas combustion tower by the applicant to exceed the smokeless design value.
18	20200319	1093603202	Air Pollution Control Act Article 20-1	The net detection value of equipment components of the Alkene Plant 1 is greater than 10,000 ppm.	NT\$100 thousand	Reinforce voluntary inspections for equipment components.
19	20200413	1090037800	Waste Disposal Act Article 52	The lime by-product produced by the Utilities Plant 4 was not entrusted to a public or private waste	NT\$3 million	1. In litigation. 2. Cause for litigation: The use of by-product lime was registered as a

Item No.	Issue Date	Government Letter No.	Provision Violated	Cause of Penalties	Penalty of Fines	Response Measure
				clearance and disposal organization with a permit issued by the competent authority, and the issue was not addressed during the time period stated.		legal product of the Yunlin County Government at the time.

### 5.3 Environmental Protection Policies and Future Responsive Measures:

#### 5.3.1 Safety and health environmental protection policies

Environmental protection and industrial development are equally important for FPCC. The Company holds the faith that ensuring safety in products, contractors, factories and communities, is not just a corporate social responsibility, but also one part of corporate competitiveness.

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

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

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

#### 5.3.2 The Company is a faithful practitioner of the business philosophy - equal emphasis on environmental protection and industrial development. In addition to the current investments made in environmental protection, an additional amount of approximately NT\$21,618,396 thousand is to be budgeted into the

environmental protection expense account in the next three years. Pollution prevention policies that are continuously promoted internally include the following:

- (1) A variety of projects to improve the prevention and treatment of pollution.
- (2) The operation and maintenance of air pollution equipment.
- (3) The operation and maintenance of wastewater treatment equipment.
- (4) Maintenance of the rainwater system.
- (5) The operation and maintenance of waste treatment equipment.
- (6) Soil and groundwater prevention operations.
- (7) Planning and installation of various environmental detectors and inspection (monitoring) facilities.
- (8) Operations to reduce air pollutants, water usage as well as wastewater, industrial waste and greenhouse gases.
- (9) Establishing Mailiao Seawater Desalting Plant to diversify water sources.
- (10) Contingency equipment planning and installation (including toxic waste monitored by the Environmental Protection Administration and the Ocean Conservation Administration's measures for preventing marine pollution).

#### 5.4 Currently Existing Environmental Protection Works:

##### 5.4.1 Air pollution prevention and management procedures

- (1) Best Available Control Technology Design (BACT): Including the use of low-pollution gas fuel, the installation of oil and gas recycling system, general and wet electrostatic precipitator, bag dust collector, LO-NO<sub>x</sub> burner, smoke-emission denitrification, and desulfurization facilities.
- (2) Management of environmental inspection (monitoring) and testing: Including continual emission-monitoring system for chimneys (CEMS), plant-wide chimney surveillance system, Fourier Transform Infrared Spectrometer (FTIR) for the surveillance of peripheral plant areas, GasFindIRs cameras for emission detection, off-site air quality monitoring, weekly tests of the equipment components of odor joint (patrol) inspection, periodic inspection of discharge pipelines, and monitoring facilities for the flare gas combustion tower.
- (3) Management of volume reduction facilities: Including water field capping and the collection and treatment of waste gas, recycling and reuse of process flare gases containing sulphur, residual process gas supplied to other plants for reuse, equipment component reduction, storage tank cleaning and flare gas collection, nitrogen tank padding, full recycling and reuse of flare gas from flare.

- (4) Total air pollutant discharge control: Including control on the total emission of air pollutants, license control for the operation of constant sources of air pollutant, and control on the commitment of emission standards made in environmental assessments.

#### 5.4.2 Water pollution prevention and management procedures

- (1) Management of wastewater source: Including volume and quality control on wastewater sources, report of anomalous wastewater sources, and review and improvement of wastewater source anomalies.
- (2) Wastewater treatment measures: Including the setup of wastewater pre-treatment facilities and the installation of five sets of integrated wastewater treatment systems (including the low-salt process wastewater [plus domestic sewage] treatment system, the high-salt process wastewater treatment system, the biofilm wastewater treatment system, and the inorganic salt wastewater treatment system).
- (3) Inspection (monitoring) measurement procedures: Including automatic detection in the volume and quality control of wastewater sources, automatic detection of the quality and volume of discharged water, daily inspection of the quality of wastewater sources, sessional inspection of water quality appearance (color and taste), and regular outsourced inspection on the quality of discharged water.
- (4) Operation procedures to reduce wastewater/sludge waste: Including regular reviews on the water-saving operations of manufacturing processes, planning procedures to improve the wastewater recovery operation in wastewater fields, and regular reviews on the procedure of sludge reduction.
- (5) Water pollution discharge control: Including volume and quality control on discharged water, and alerts, reactions, response mechanisms, reviews and improvements of anomalous volumes and qualities of discharged water.
- (6) Management of runoff rainwater in the plant area: Including control of the water level of storm storage tanks on sunny days, management of the rainwater collection system, and management of rainwater recycling in early rainy periods.

#### 5.4.3 Waste management procedures:

- (1) Waste regulations management: Including online reporting of the temporary storage and volume of raw materials, products, and waste; waste flow control.
- (2) Internal audit and management of wastes: including impromptu

inspections on temporary waste storage sites, waste declaration, and process progression check on entrusted cases of waste treatment.

- (3) Waste classification and storage: Including the classification and storage of temporary wastes, temporary waste storage management, and ad hoc audit on temporary waste storages for the purpose of pollution prevention.
- (4) Waste disposal processing management: Including ad hoc audit on disposal processing operations performed by qualified entrusted disposal-processing vendors, and pre-emptive check on eligible operators' qualified waste treatment items.
- (5) Waste recycling and resource treatment: Including the development of new vendors and new technologies for recycling and recusing resource waste, increase in waste resource proportions (by promoting the recycling of sandblasting waste) and setting up annual reduction targets.

#### 5.4.4 Procedures to manage toxic chemicals enlisted by the Environmental Protection Administration (EPA)

- (1) Operational procedures to manage toxic chemicals enlisted by the Environmental Protection Administration (EPA): Including various types of permits and registration documents, the application of the registration and authorization numbers of toxic chemicals, emergency response plans, report of the detection and alarming devices, and procedures to manage the report of the operational quantity, release quantity, and the transportation of enlisted toxic chemicals.
- (2) Detection alarm system management: Including planning and installation of detection alarm system, and irregular testing and regular maintenance of the system.
- (3) Emergency response system management: Planning and installing emergency response systems (including notification and response mechanisms), improving emergency response capability, regular emergency response practices, and impromptu testing.
- (4) New and existing Chemical substance registration: Establishing a database to record existing and new chemical substances, usage descriptions, toxicological information, physical and chemical properties, etc., and registering manufacturing and input chemicals according to the "Regulation of New and Existing Chemical Substances Registration".

#### 5.4.5 Soil and groundwater management procedures

- (1) Leakage monitoring and early alarming system management: Monitoring tank body subsidence, monitoring detection tubes in oil and gas tanks, and monitoring oil leak detectors in tank areas.

- (2) Inspection procedures management: Including groundwater inspection in peripheral plant areas; groundwater and soil-gas inspection in peripheral process areas.
- (3) Soil and groundwater pollution response system management: Establishing emergency response procedures to manage oil pollution in long-distance pipelines, creating emergency response capabilities, and performing irregular responsive practices.
- (4) Management of the investigation and remediation of anomalous soil and groundwater cases: Enlisting and recovering cases about anomalous utility pipelines, investing the soil and groundwater pollution scope in anomalous gas station cases and the pollution recovery, and monitoring groundwater after a remedy is completed.

#### 5.4.6 Marine pollution prevention management procedures

- (1) Marine pollution prevention management: Building gas detection system and mechanical alarming system (for detecting anomalies in pump pressure and discharge arm rotations) to manage and prevent gas leakage during the loading and unloading in terminals, installing surveillance systems to monitor and manage transportation processes, regular outsourced inspections on transportation pipelines, and daily on-ship patrols for the purpose of safety inspection.
- (2) Marine pollution contingency management: Establishing contingency systems (including emergency alert system, response mechanism and mutual support system), setting up contingency equipment and oil spill simulation software, organizing regular marine pollution drills and drills in the environmentally sensitive areas, as well as regularly maintaining and updating contingency resources.
- (3) Response personnel training management: Systematic education training is performed from time to time at three levels – onsite response staff (IMO Level 1), onsite response commander (IMO Level 2) and senior response commander (IMO Level 3).
- (4) Cooperation with Environment Protection Administration to promote green port operations: Management system to monitor the recycling and processing of waste oil and water, and computer tracking system to manage wastewater recycling in pre-washing cabins for specified chemicals.

#### 5.4.7 Greenhouse gas management procedures

- (1) Emissions inspection and verification procedures: Including education trainings regarding greenhouse gas emission inspection, clarification of greenhouse gas emission boundary, clarification of greenhouse gas



emission source, and organizing greenhouse gas emission numbers, entrusting a third party authorized by the Environmental Protection Administration to verify annual greenhouse gas emission volumes. At present, the inventory for the period between 2005 and 2018 has been completed. Also, in order to comply with the committed items stated in FPCC's environmental-impact assessment documentation as well as the "Greenhouse Gas Emission Reporting Management Regulations", total greenhouse gas emission during the period between 2005 and 2018 produced in Mailiao Industrial Complex has already been registered in EPA's National Greenhouse Gas Registration Platform. As of the publication of the annual report, the total result of the survey in the last two years is summarized as follows:

Year	Greenhouse gas emissions (tons)
2017	27,114,847
2018	28,179,173

(2) Procedures to confirm and verify greenhouse gas reduction:

- a. In support of the 2017 Exemplar Projects Consulting Program of Greenhouse Gas Credit held by the Industrial Development Bureau of the Ministry of Economic Affairs, the Foundation of Taiwan Industry Service aided FPCC's Refining Department to create a greenhouse-gas type replacement proposal (about power generation from the recovery of low-temperature waste heat), which is expected to convert the benefit of greenhouse gas reduction in energy conservation plants to some other emission quota with economic value; the effect of the proposal has been validated by some third-party verification units (such as Bsi or DNV).
  - b. In support of the Exemplar Projects Consulting Program of Greenhouse Gas Credit held by the Industrial Development Bureau of the Ministry of Economic Affairs, FPCC proposed a greenhouse gas reduction project, and as verified by the Ministry of Economic Affairs, the Olefins Department has completed the operations for greenhouse gas voluntary reduction for the period between 2004 to 2018, achieving a total result of 1,207,276 tons of reduction volume. For 2019, voluntary reduction volume reported to the Industrial Development Bureau on February 2020 is estimated to be 42,416 tons.
- (3) Reduction measures: Continuous improvement projects to reinforce energy efficiency include reviewing and setting up energy consumption targets year by year, setting up process improvement personnel to promote the project improvement and personal creativity reward system, and stipulating benchmarks for greenhouse gas emission control for each product department. In 2019, FPCC has completed 188 projects for improving energy-conservation, which has saved the consumption of

6,600 kWh in energy, 43 tons per hour in steam, and 1.6 tons per hour in fuel, and the total reduction in greenhouse gas emission reaching about 180,000 tons in terms of CO<sub>2</sub>e.

(4) Participating in a variety of greenhouse gas reduction implementation competitions: FPCC frequently participates in competitions related to energy-saving and CO<sub>2</sub> reduction sponsored by the government, and has been awarded "Business with Excellent Performance" and "Outstanding Manufacturers" numerous times.

6. Important Contracts (the contracting parties, major content, restrictive clauses, and the commencement dates and expiration dates of supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year):

Nature of contract	Counterparties	Contract start/end Date	Main content	Restrictive clauses
Technical cooperation	Haldor Topsoe, Denmark	From March 1996	Basic design of the hydrogen plant (In accordance with the contract, there is no particular termination date stated so the counterparty is obliged to provide technical support anytime upon request.)	None
Technical cooperation	Haldor Topsoe, Denmark	From March 2004	Basic design of the Diesel Hydrodesulfurization Unit (In accordance with the contract, there is no particular termination date stated so the counterparty is obliged to provide technical support anytime upon request.)	None
Technical cooperation	Axens, France	2010.06.23 ~2020.06.22	Design of the manufacturing process in the MTBE#2 Unit	None
Technical Cooperation	Conoco Phillips, USA	2010.06.24 ~2020.06.23	Basic design and technical authorization of the second set of Delayed Coking Unit (DCU#2)	None
Technical cooperation	Chevron Lummus Global (CLG), USA	From 2010.9	Technical service for the Heavy-Oil Hydrodesulfurization Unit (In accordance with the contract, there is no particular termination date stated so the counterparty is obliged to provide technical support	None

Nature of contract	Counterparties	Contract start/end Date	Main content	Restrictive clauses
			anytime upon request.)	
Technical cooperation	MECS, USA	2011.06 ~2026.07	Design and technical authorization of the SAR#2 Unit	None
Technical cooperation	MECS, USA	2011.06.01 ~2026.05.31	Basic design and technical authorization of the acid gas DeH <sub>2</sub> S in the flare gas combustion tower	None
Technical cooperation	MECS, USA	2011.08.24 ~2026.08.24	Basic design and technical authorization of DeSO <sub>x</sub> in the sulfur recycling unit	None
Construction contracts	Wei-Fu Mechanical Engineering Co., Ltd.	2019.11 ~2020.11	Mechanical engineering project of MGGH and WESP in UPA of NO.2 utility plants	None
Construction contracts	Wanchi Steel Industrial Co., Ltd.	2019.08 ~2021.11	Construction project of desalination plant	None
Electricity purchase	Taiwan Power Company	2019.04 ~2020.03	Wholesale price (quantity) and parallel connection related rules	None

## VI. Financial Information

### 1. Condensed Statements of Consolidated Balance Sheets, Comprehensive Income, Name of Auditors and Auditors' Report in five years.

#### 1.1 Condensed Statements of Balance Sheets

#### (1) Condensed Statements of Consolidated Balance Sheets

Unit: NT\$ thousands

Item	Year	Five-Year Financial Summary (Note 1)					Before March 31st, 2020 (Note 3)
		2015	2016	2017	2018	2019	
Current assets		230,637,376	279,016,496	266,200,257	232,198,754	226,492,637	195,737,605
Property, plant and equipment (Note 2)		132,287,324	115,952,193	107,858,298	107,366,691	102,230,648	102,036,663
Intangible assets		0	0	0	0	0	0
Other assets (Note 2)		62,542,774	57,394,960	57,482,171	66,204,010	69,308,508	68,181,525
Total assets		425,467,474	452,363,649	431,540,726	405,769,455	398,031,793	365,955,793
Current liabilities		58,763,026	67,918,394	65,117,512	50,431,424	36,762,243	35,269,327
After Distribution		96,866,865	125,074,152	125,131,058	96,156,031	-	-
Non-current liabilities		99,980,734	75,346,015	22,276,730	14,681,851	27,267,545	27,128,448
Before Distribution		158,743,760	143,264,409	87,394,242	65,113,275	64,029,788	62,397,775
After Distribution		196,847,599	200,420,167	147,407,788	110,837,882	-	-
Equity attributable to owners of the parent		266,689,026	309,064,783	341,286,600	337,738,208	330,223,061	299,380,515
Common stock		95,259,597	95,259,597	95,259,597	95,259,597	95,259,597	95,259,597
Capital surplus		31,470,272	31,418,925	31,422,127	31,385,997	31,399,948	31,418,784
Before Distribution		117,967,428	155,384,088	178,108,985	180,328,754	171,224,633	161,231,428
After Distribution		79,863,589	98,228,330	118,095,439	134,604,147	-	-
Other equity		21,991,729	27,002,173	36,495,891	30,763,860	32,338,883	11,470,706
Treasury stock		0	0	0	0	0	0
Non-controlling interest		34,688	34,457	2,859,884	2,917,972	3,778,944	4,177,503
Before Distribution		266,723,714	309,099,240	344,146,484	340,656,180	334,002,005	303,558,018
After Distribution		228,619,875	251,943,482	284,132,938	294,931,573	-	-

\* If a parent company only financial report is prepared by a company, it shall also prepare condensed parent company only balance sheets and statements of comprehensive income for the most recent five fiscal years.

Note 1: If there are financial statements for the preceding years that have not been audited and certified by a CPA, it shall be stated clearly.

Note 2: If any assets have been revalued in one fiscal year, disclose the date of revaluation and the increase in the carrying amount of asset value.

Note 3: A company whose stock is listed on the stock exchange shall produce financial information for the period as of the quarter preceding the date of publication of the annual report, and disclose whether the financial information is audited and attested by CPA or neither: The financial information in the most recent year have been audited and certified by CPA; the financial information for the first quarter of 2020 have been reviewed by CPA.

Note 4: Disclose the aforementioned distributed amounts in accordance with resolution of the shareholders' meeting in the subsequent year: The distribution of earnings for 2019 has not been approved by shareholders' meeting.

Note 5: If a company is notified by the competent authority that its financial information shall be corrected or restated, it shall restate the financial information with corrected and restated number and indicate its status and reasons.

## (2) Condensed Statements of Individual Balance Sheets

Unit: NT\$ thousands

Item	Year	Five-Year Financial Summary (Note 1)					Before March 31st, 2020 (Note 3)
		2015	2016	2017	2018	2019	
Current assets		233,472,422	281,610,398	264,858,391	232,518,997	227,523,818	The Company has not prepared the First Quarter Individual Financial Statements
Property, plant and equipment (Note 2)		129,374,110	113,637,346	102,939,532	100,395,305	94,296,343	
Intangible assets		0	0	0	0	0	
Other assets (Note 2)		59,070,028	54,369,564	58,582,247	67,823,952	65,217,192	
Total assets		421,916,560	449,617,308	426,380,170	400,738,254	387,037,353	
Current liabilities		57,747,205	67,458,120	64,714,687	50,039,507	35,694,376	
Non-current liabilities		95,851,044	124,613,878	124,728,233	95,764,114	-	
Total liabilities		97,480,329	73,094,405	20,378,883	12,960,539	21,119,916	
Common stock		155,227,534	140,552,525	85,093,570	63,000,046	56,814,292	
Capital surplus		193,331,373	197,708,283	145,107,116	108,724,653	-	
Retained earnings		95,259,597	95,259,597	95,259,597	95,259,597	95,259,597	
Other equity		31,470,272	31,418,925	31,422,127	31,385,997	31,399,948	
Treasury stock		117,967,428	155,384,088	178,108,985	180,328,754	171,224,633	
Total equity		79,863,589	98,228,330	118,095,439	134,604,147	-	
Total		21,991,729	27,002,173	36,495,891	30,763,860	32,338,883	
Before Distribution		0	0	0	0	0	
After Distribution		266,689,026	309,064,783	341,286,600	337,738,208	330,223,061	
After Distribution		228,585,187	251,909,025	281,273,054	292,013,601	-	

\* If a parent company only financial report is prepared by a company, it shall also prepare condensed parent company only balance sheets and statements of comprehensive income for the most recent five fiscal years.

Note 1: If there are financial statements for the preceding years that have not been audited and certified by a CPA, it shall be stated clearly.

Note 2: If any assets have been revalued in one fiscal year, disclose the date of revaluation and the increase in the carrying amount of asset value.

Note 3: A company whose stock is listed on the stock exchange shall produce financial information for the period as of the quarter preceding the date of publication of the annual report, and disclose whether the financial information is audited and attested by CPA or neither: The financial information in the most recent year have been audited and certified by CPA.

Note 4: Disclose the aforementioned distributed amounts in accordance with resolution of the shareholders' meeting in the subsequent year: The distribution of earnings for 2019 has not been approved by shareholders' meeting.

Note 5: If a company is notified by the competent authority that its financial information shall be corrected or restated, it shall restate the financial information with corrected and restated number and indicate its status and reasons.

## 1.2 Condensed Statements of Income Statement

### (1) Condensed Statements of Consolidated Income Statement

Unit: NT\$ thousands

Item	Year	Five-Year Financial Summary (Note 1)					Before March 31st, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Operating revenue		629,513,853	546,161,413	624,107,892	767,550,218	646,022,809	137,531,357
Gross profit		55,160,427	96,458,914	102,622,259	77,615,555	47,719,011	(11,152,546)
Operating income		45,482,153	86,209,333	91,657,373	66,469,324	36,785,656	(13,677,561)
Non-operating income and expenses		7,230,420	4,468,821	4,437,172	8,077,789	8,112,695	1,092,407
Income before income tax		52,712,573	90,678,154	96,094,545	74,547,113	44,898,351	(12,585,154)
Profit from Continuing Operation		47,306,857	75,768,469	80,175,421	60,070,831	36,748,173	(10,003,224)
Income (Loss) from Discontinued Operation		0	0	0	0	0	0
Net income (Loss)		47,306,857	75,768,469	80,175,421	60,070,831	36,748,173	(10,003,224)
Other comprehensive income (net after tax)		(12,257,895)	4,766,685	9,186,884	(9,983,466)	1,314,700	(20,850,166)
Total comprehensive income		35,048,962	80,535,154	89,362,305	50,087,365	38,062,873	(30,853,390)
Net Income attributable to owners of the parent		47,301,922	75,764,102	80,170,146	60,090,225	36,798,213	(9,993,205)
Net income attributable to non-controlling interests		4,935	4,367	5,275	(19,394)	(50,040)	(10,019)
Total comprehensive income attributable to owners of the parent		35,045,178	80,530,943	89,374,373	50,024,167	38,195,509	(30,861,382)
Total comprehensive income attributable to non-controlling interests		3,784	4,211	(12,068)	63,198	(132,636)	7,992
Earnings per share (NT\$)		4.97	7.95	8.42	6.31	3.86	(1.05)

\* If a parent company only financial report is prepared by a company, it shall also prepare condensed parent company only balance sheets and

statements of comprehensive income for the most recent five fiscal years.

Note 1: If there are financial statements for the preceding years that have not been audited and certified by a CPA, it shall be stated clearly.

Note 2: A company whose stock is listed on the stock exchange shall produce financial information for the period as of the quarter preceding the date of publication of the annual report, and disclose whether the financial information is audited and certified or reviewed by CPA or neither: The financial information of all years have been audited and certified by CPA; the financial information for the first quarter of 2020 have been reviewed by CPA.

Note 3: Loss from discontinued operations is shown as the net amount after income tax is deducted.

Note 4: If a company is notified by the competent authority that its financial information shall be corrected or restated, it shall restate the financial information with corrected and restated number and indicate its status and reasons.

## (2) Condensed Statements of Individual Income Statement

Unit: NT\$ thousands

Item	Year	Five-Year Financial Summary (Note 1)					Before March 31st, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Operating revenue		627,992,308	544,397,827	622,236,734	765,493,218	643,824,935	The Company has not prepared the First Quarter Individual Financial Statements
Gross profit		54,187,942	94,951,640	101,055,221	76,003,194	45,978,040	
Operating income		45,549,679	85,755,178	91,312,401	66,192,852	36,459,064	
Non-operating income and expenses		7,121,797	4,808,283	4,703,535	8,316,473	8,441,239	
Income before income tax		52,671,476	90,563,461	96,015,936	74,509,325	44,900,303	
Profit from Continuing Operation		47,301,922	75,764,102	80,170,146	60,090,225	36,798,213	
Income (Loss) from Discontinued Operation		0	0	0	0	0	
Net income (Loss)		47,301,922	75,764,102	80,170,146	60,090,225	36,798,213	
Other comprehensive income (net after tax)		(12,256,744)	4,766,841	9,204,227	(10,066,058)	1,397,296	
Total comprehensive income		35,045,178	80,530,943	89,374,373	50,024,167	38,195,509	
Earnings per share (NT\$)		4.97	7.95	8.42	6.31	3.86	

\* If a parent company only financial report is prepared by a company, it shall also prepare condensed parent company only balance sheets and statements of comprehensive income for the most recent five fiscal years.

Note 1: If there are financial statements for the preceding years that have not been audited and certified by a CPA, it shall be stated clearly.

Note 2: A company whose stock is listed on the stock exchange shall produce financial information for the period as of the quarter preceding the date of publication of the annual report, and disclose whether the financial information is audited and certified or reviewed by CPA or

neither: The financial information of all years have been audited and certified by CPA.

Note 3: Loss from discontinued operations is shown as the net amount after income tax is deducted.

Note 4: If a company is notified by the competent authority that its financial information shall be corrected or restated, it shall restate the financial information with corrected and restated number and indicate its status and reasons.

### 1.3 Name of Auditors and Auditors' Opinions

Year		2019	2018	2017	2016	2015
Auditing Details		Li-Huang Lin	Li-Huang Lin	Li-Huang Lin	Hsiang-Yu Tseng	Hsiang-Yu Tseng
CPA's Name		Wen-Fun Fu	Wen-Fun Fu	Wen-Fun Fu	Chin-Lai Wang	Chin-Lai Wang
Auditing Opinion		An Unqualified Opinion and other paragraphs	An Unqualified Opinion and other paragraphs	An Unqualified Opinion and other paragraphs	An Unqualified Opinion and other paragraphs	An Unqualified Opinion Subsequent to Revision
Source : The Company's Financial Statements which is audited by CPA.						

- Financial Analysis for the Most Recent Five Fiscal Years and Reasons for Changes in the Financial Ratios Exceeding 20% for the Most Recent Two Fiscal Years: Page 172 to Page 179.
- Audit Committee's Review Report on the Financial Statements for the Most Recent Year: Page 180.
- Consolidated Financial Statements Audited and Certified by CPA for the Most Recent Year: Page 201 to Page 323.
- Individual Financial Statements Audited and Certified by CPA for the Most Recent Year: Page 324 to Page 441.
- Impact of Financial Difficulties of the Company and Its Affiliated companies on the Financial Status of the Company in the Most Recent Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report Is Published: None.



2. Financial Analysis in the last five years and the reasons for the increase or decrease of various financial analysis changes by 20% in the last two years:

2.1 Financial Analysis – Consolidated by IFRSs

Analysis Items	Year (Note 1)	Financial Analysis in the last five years (Note1)					First Quarter in 2020 (Note 2)
		2015	2016	2017	2018	2019	
Capital structure	Debt ratio (%)	37.31	31.67	20.25	16.05	16.09	17.05
	Long-term fund to property, plant and equipment ratio (%)	277.20	331.55	339.73	330.96	353.39	324.09
Liquidity	Current ratio (%)	392.49	410.81	408.80	460.42	616.10	554.98
	Quick ratio (%)	282.59	314.90	305.56	324.15	427.46	364.99
Operating performance	Times interest earned (times)	24.33	52.61	79.36	108.63	76.68	-96.67
	Accounts receivable turnover (times)	13.28	10.63	10.96	13.05	11.93	12.85
	Days sales outstanding	27	34	33	28	31	28
	Inventory turnover (times)	8.66	8.57	9.36	11.57	9.87	10.15
	Accounts payable turnover (times)	42.81	33.86	38.52	42.76	35.50	47.45
	Inventory turnover days	42	43	39	32	37	36
	Property, plant and equipment turnover (times)	4.53	4.40	5.58	7.13	6.16	5.39
Profitability	Total assets turnover (times)	1.40	1.24	1.41	1.83	1.61	1.44
	Return on total assets (%)	10.95	17.59	18.37	14.48	9.26	-2.59
	Return on total equity (%)	18.68	26.32	24.55	17.54	10.89	-3.14
	Pre-tax income to paid-in capital ratio (%) (Note 7)	55.34	95.19	100.88	78.26	47.13	-13.21
	Net profit margin (%)	7.51	13.87	12.85	7.83	5.69	-7.27
Cash flow	Earnings per share(NT\$)	4.97	7.95	8.42	6.31	3.86	-1.05
	Cash flow ratio (%)	202.79	152.85	122.55	152.58	119.39	11.46
	Cash flow adequacy ratio (%)	192.45	254.72	229.83	188.82	163.89	125.32
	Cash flow reinvestment ratio (%)	17.22	9.62	3.32	2.48	-0.27	0.61
Leverage	Operating leverage	1.77	1.41	1.38	1.51	1.85	0.43
	Financial leverage	1.05	1.02	1.01	1.01	1.02	0.99

\* If a company prepares a parent company only financial report, it shall also prepare the analysis of the company's parent company only financial ratios.

Note 1: If there are financial statements for the preceding years that have not been audited and certified by a CPA, it shall be stated clearly.

Note 2: A company whose stock is listed on the stock exchange shall include the financial information for the period as of the quarter preceding the date of publication of the annual report into the financial analysis.

Note 3: The above ratios of financial analysis are calculated based on the following equations:

**1. Capital structure**

(1) Debt ratio = Total liabilities / Total assets

(2) Long-term fund to property, plant and equipment ratio = (Total equity + non-current liabilities) / Net property, plant and equipment

**2. Liquidity**

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – inventory – prepaid expenses) / Current Liabilities

(3) Times interest earned = Net Income before tax and interest expenses / Interest expenses

**3. Operating performance**

(1) Account receivable turnover (including accounts receivable and notes receivable) = Net sales / Average account receivable (including account receivable and notes receivable) balance

(2) Days sales outstanding = 365 / Receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory

(4) Account payable turnover (including accounts payable and notes payable) = Cost of goods sold / Average account payable (including account payable and notes payable) balance

(5) Inventory turnover days = 365 / Inventory turnover

(6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment

(7) Total assets turnover = Net sales / Average total assets

**4. Profitability**

(1) Return on total assets = [Net income after tax + interest expense x (1 - interest rate)] / Average total assets]

(2) Return on total equity = Net income after tax / Average shareholders' equity

(3) Net margin = Net income / Net sales

(4) Earnings per share = (Net income - preferred stock dividend) / Weighted average number of shares outstanding (Note 4 )

**5. Cash flow**

(1) Cash flow ratio = Net cash flow provided by operating activities / Current liabilities

(2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital) (Note 5)

**6. Leverage**

(1) Operating leverage = (Operating revenues – variable cost and expense) /

Operating Income (Note 6) °

(2) Financial leverage = Operating income / (Operating income – interest expenses)

Note 4: Special attention shall be paid to the following matters when using the calculation formula of earnings per share above:

1. The calculation is based on the weighted average number of common shares, not the number of issued shares at the end of year.
2. If there are any cash capital increase or treasury stock transactions, the circulation period shall be considered into the calculation of weighted average number of shares.
3. If there is any cash capital increase or capital increase through capitalization of retained earnings, earnings per share is retrospectively adjusted in accordance with the proportion of capital increase in the computation of earnings per share for the preceding fiscal years and the interim period. The issuance period of increased capital shall not be considered.
4. If preferred stocks are nonconvertible cumulative preferred shares, the dividend for the current year (be it distributed or not) shall be subtracted from after-tax net income or added to after-tax net loss. If preferred stocks are non-cumulative, the dividend shall be deducted from the after-tax net income. If the company has posted net loss after tax; no adjustment is required.

Note 5: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory is included only when the balance at the end of the period is greater than that at the beginning of the period. If the inventory decreases at the end of year, it is counted as zero.
4. Cash dividends include cash dividends of ordinary shares and preferred shares.
5. Gross amount of property, plant, and equipment refers to the total carrying amount of PP&E before accumulated depreciation is deducted.

Note 6: The issuer shall classify operating costs and operating expenses into fixed or variable items in accordance with their nature. If estimation or subjective judgment is involved, attention shall be paid to its reasonableness and consistency.

Note 7: If the company's shares have no par value or are issued at a par value other than NT\$10, the aforementioned calculations of paid-in capital ratio shall be replaced with the ratio of equity attributable to owners of the parent as reported in the balance sheet.

Note 8: Explanations for the changes in financial ratios exceeding 20% in the most recent two years:

1. Current ratio & Quick ratio & Times interest earned :

- (1) Current ratio for the current period is 616.10, a change of 33.81% over the same period of last year's 460.42.

(2) Quick ratio for the current period is 427.46, a change of 31.87% over the same period of last year's 324.15.

The change is mainly due to current liabilities in 2019 of NT\$36,762,243 thousand, which decreases by NT\$13,669,181 thousand compared to that of 2018 at NT\$50,431,424 thousand.

(3) Times interest earned for the current period is 76.68, which decreases by 29.41% over the same period of last year's figure of 108.63; the change is mainly due to a decrease in net income before tax and interest expenses of NT\$29,747,455 thousand in 2019.

2. Return on total assets & Return on total equity & Pre-tax income to paid-in capital ratio & Net profit margin & Earnings per share:

(1) Return on assets for the current period is 9.26, a change of 36.05% over the same period of last year's 14.48.

(2) Return on equity for the current period is 10.89, a change of 37.91% over the same period of last year's 17.54.

(3) Ratio of net income before tax to paid-in-capital for the current period amounts to 47.13, a change of 39.78% over the same period of last year's 78.26.

(4) Net profit margin ratio for the current period is 5.69, a change of 27.33% over the same period of last year's 7.83.

(5) Earnings per share for the current period was NT\$3.86, a change 38.83% over the same period of last year's NT\$6.31.

The change is mainly due to net income after tax in 2019 of NT\$36,748,173 thousand, which decreases by NT\$23,322,658 thousand compared to that of 2018 at NT\$60,070,831 thousand.

3. Cash flow ratio & Cash reinvestment ratio:

(1) The cash flow ratio for the current period is 119.39, a change of 21.75% over the same period of last year's 152.58.

(2) The cash reinvestment ratio for the current period is -0.27, a change of 110.89% over the same period of last year's 2.48.

This is mainly due to the net cash flow from operating activities decreased by NT\$33,057,839 thousand compared with that of last year, and current liabilities was reduced by NT\$13,669,181 thousand compared with that of last year.

4. Operating leverage :

The operating leverage for the current period is 1.85, a change of 22.52% over the same period of last year's 1.51; the change is mainly due to operating income in 2019 of NT\$36,785,656 thousand, which decreases by NT\$29,683,668 thousand compared to that of 2018 at NT\$66,469,324 thousand.

## 2.2 Financial Analysis – Individual by IFRSs

Analysis Items (Note 3)		Year(Note 1)					Financial Analysis in the last five years (Note 1)					First Quarter in 2020 (Note 2)	
							2015	2016	2017	2018	2019		
Capital structure	Debt ratio (%)						36.79	31.26	19.96	15.72	14.68		
	Long-term fund to property, plant and equipment ratio (%)						281.49	336.30	351.34	349.32	372.59		
Liquidity	Current ratio (%)						404.30	417.46	409.27	464.67	637.42		
	Quick ratio (%)						292.97	321.50	306.07	328.31	444.77		
Operating performance	Times interest earned (times)						25.44	56.36	86.41	124.78	117.74		
	Accounts receivable turnover (times)						13.67	11.44	11.58	13.67	12.46		
	Days sales outstanding						27	32	32	27	29		
	Inventory turnover (times)						8.68	8.60	9.41	11.62	9.91		
	Accounts payable turnover (times)						42.85	33.93	38.60	42.82	35.53		
	Inventory turnover days						42	42	39	31	37		
	Property, plant and equipment turnover (times)						4.62	4.48	5.75	7.53	6.61		
Profitability	Total assets turnover (times)						1.41	1.25	1.42	1.85	1.63		
	Return on total assets (%)						11.01	17.70	18.52	14.65	9.42		
	Return on total equity (%)						18.69	26.32	24.65	17.70	11.02		
	Pre-tax income to paid-in capital ratio (%) (Note 7)						55.29	95.07	100.79	78.22	47.13		
	Net profit margin (%)						7.53	13.92	12.88	7.85	5.72		
Cash flow	Earnings per share(NT\$)						4.97	7.95	8.42	6.31	3.86		
	Cash flow ratio (%)						204.51	153.80	122.23	152.68	115.00		
	Cash flow adequacy ratio (%)						191.64	254.12	232.96	191.95	167.13		
	Cash flow reinvestment ratio (%)						17.05	9.61	3.23	2.43	-0.68		
Leverage	Operating leverage						1.75	1.40	1.37	1.49	1.82		
	Financial leverage						1.05	1.02	1.01	1.01	1.01		

\* If a company prepares a parent company only financial report, it shall also prepare the analysis of the company's parent company only financial ratios.

- Note 1: If there are financial statements for the preceding years that have not been audited and certified by a CPA, it shall be stated clearly.
- Note 2: A company whose stock is listed on the stock exchange shall include the financial information for the period as of the quarter preceding the date of publication of the annual report into the financial analysis.
- Note 3: The above ratios of financial analysis are calculated based on the following equations:

#### **1. Capital structure**

- (1) Debt ratio = Total liabilities / Total assets
- (2) Long-term fund to property, plant and equipment ratio = (Total equity + non-current liabilities) / Net property, plant and equipment

#### **2. Liquidity**

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – inventory – prepaid expenses) / Current Liabilities
- (3) Times interest earned = Net Income before tax and interest expenses / Interest expenses

#### **3. Operating performance**

- (1) Account receivable turnover (including accounts receivable and notes receivable) = Net sales / Average account receivable (including account receivable and notes receivable) balance
- (2) Days sales outstanding = 365 / Receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory
- (4) Account payable turnover (including accounts payable and notes payable) = Cost of goods sold / Average account payable (including account payable and notes payable) balance
- (5) Inventory turnover days = 365 / Inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment
- (7) Total assets turnover = Net sales / Average total assets

#### **4. Profitability**

- (1) Return on total assets = [Net income after tax + interest expense x (1 - interest rate)] / Average total assets
- (2) Return on total equity = Net income after tax / Average shareholders' equity
- (3) Net margin = Net income / Net sales
- (4) Earnings per share = (Net income - preferred stock dividend) / Weighted average number of shares outstanding (Note 4)

#### **5. Cash flow**

- (1) Cash flow ratio = Net cash flow provided by operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital) (Note 5)

#### **6. Leverage**

- (1) Operating leverage = (Operating revenues – variable cost and expense) /

Operating Income (Note 6) °

(2) Financial leverage = Operating income / (Operating income – interest expenses)

Note 4: Special attention shall be paid to the following matters when using the calculation formula of earnings per share above:

1. The calculation is based on the weighted average number of common shares, not the number of issued shares at the end of year.
2. If there are any cash capital increase or treasury stock transactions, the circulation period shall be considered into the calculation of weighted average number of shares.
3. If there is any cash capital increase or capital increase through capitalization of retained earnings, earnings per share is retrospectively adjusted in accordance with the proportion of capital increase in the computation of earnings per share for the preceding fiscal years and the interim period. The issuance period of increased capital shall not be considered.
4. If preferred stocks are nonconvertible cumulative preferred shares, the dividend for the current year (be it distributed or not) shall be subtracted from after-tax net income or added to after-tax net loss. If preferred stocks are non-cumulative, the dividend shall be deducted from the after-tax net income. If the company has posted net loss after tax; no adjustment is required.

Note 5: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory is included only when the balance at the end of the period is greater than that at the beginning of the period. If the inventory decreases at the end of year, it is counted as zero.
4. Cash dividends include cash dividends of ordinary shares and preferred shares.
5. Gross amount of property, plant, and equipment refers to the total carrying amount of PP&E before accumulated depreciation is deducted.

Note 6: The issuer shall classify operating costs and operating expenses into fixed or variable items in accordance with their nature. If estimation or subjective judgment is involved, attention shall be paid to its reasonableness and consistency.

Note 7: If the company's shares have no par value or are issued at a par value other than NT\$10, the aforementioned calculations of paid-in capital ratio shall be replaced with the ratio of equity attributable to owners of the parent as reported in the balance sheet.

Note 8: Explanations for the changes in financial ratios exceeding 20% in the most recent two years:

1. Current ratio & Quick ratio & Times interest earned :

- (1) Current ratio for the current period is 637.42, a change of 37.18% over the same period of last year's 464.67.
- (2) Quick ratio for the current period is 444.77, a change of 35.47% over the same period of last year's 328.31.

The change is mainly due to current liabilities in 2019 of NT\$35,694,376

thousand, which decreases by NT\$14,345,131 thousand compared to that of 2018 at NT\$50,039,507 thousand.

2. Return on total assets & Return on total equity & Pre-tax income to paid-in capital ratio & Net profit margin & Earnings per share:

- (1) Return on assets for the current period is 9.42, a change of 35.70% over the same period of last year's 14.65.
- (2) Return on equity for the current period is 11.02, a change of 37.74% over the same period of last year's 17.70.
- (3) Ratio of net income before tax to paid-in-capital for the current period amounts to 47.13, a change of 39.75% over the same period of last year's 78.22.
- (4) Net profit margin ratio for the current period is 5.72, a change of 27.13% over the same period of last year's 7.85.
- (5) Earnings per share for the current period was NT\$3.86, a change 38.83% over the same period of last year's NT\$6.31.

The change is mainly due to net income after tax in 2019 of NT\$36,798,213 thousand, which decreases by NT\$23,292,012 thousand compared to that of 2018 at NT\$60,090,225 thousand.

3. Cash flow ratio & Cash reinvestment ratio:

- (1) The cash flow ratio for the current period is 115.00, a change of 24.68% over the same period of last year's 152.68.
- (2) The cash reinvestment ratio for the current period is -0.68, a change of 127.98% over the same period of last year's 2.43.

This is mainly due to the net cash flow from operating activities decreased by NT\$35,349,265 thousand compared with that of last year, and current liabilities was reduced by NT\$14,345,131 thousand compared with that of last year.

4. Operating leverage :

The operating leverage for the current period is 1.82, a change of 22.15% over the same period of last year's 1.49; the change is mainly due to operating income in 2019 of NT\$36,459,064 thousand, which decreases by NT\$29,733,788 thousand compared to that of 2018 at NT\$66,192,852 thousand.



# Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements (including consolidated and Stand-alone statements), and Proposal for Profits Distribution. The CPA firm of Ernst & Young has audited the Financial Statements and issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and Proposal for Profits Distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of FORMOSA PETROCHEMICAL CORPORATION. According to the Article of the Securities and Exchange Act and Article of the Company Law, we hereby submit this report.

FORMOSA PETROCHEMICAL CORPORATION.

Chairman of the Audit Committee: C.P Chang

March 9, 2020

## VII. Financial Status, Operating Results and Risk Management

1. Comparative Analysis and Explanation of the Company's Financial Position (The reasons for, and impact of, any significant change over the most recent two fiscal years in its assets, liabilities, or equity. Where the impact is significant, describe further how the company plans to respond.).

Unit: NT\$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	226,492,637	232,198,754	(5,706,117)	(2.46)
Non-current assets	171,539,156	173,570,701	(2,031,545)	(1.17)
Total Assets	398,031,793	405,769,455	(7,737,662)	(1.91)
Current liabilities	36,762,243	50,431,424	(13,669,181)	(27.10)
Non-current liabilities	27,267,545	14,681,851	12,585,694	85.72
Total Liabilities	64,029,788	65,113,275	(1,083,487)	(1.66)
Common stock	95,259,597	95,259,597	0	0.00
Capital surplus	31,399,948	31,385,997	13,951	0.04
Retained earnings	171,224,633	180,328,754	(9,104,121)	(5.05)
Other Equity	32,338,883	30,763,860	1,575,023	5.12
Non-controlling Equity	3,778,944	2,917,972	860,972	29.51
Total Equity	334,002,005	340,656,180	(6,654,175)	(1.95)
<p>1. Current assets decreased by NT\$5,706,117 thousand from the prior period, which was mainly due to: Cash and cash equivalents decreased by NT\$6,075,620 thousand; financial assets at fair value through other comprehensive income - current increased by NT\$8,124,507 thousand; net receivables (including related parties) decreased by NT\$6,602,545 thousand; other receivables (including related parties) decreased by NT\$1,746,804 thousand and prepayment increased by NT\$1,093,360 thousand.</p> <p>2. Non-current assets decreased by NT\$2,031,545 thousand from the prior period, the main reasons are: Financial assets at fair value through other comprehensive income - non-current decreased by NT\$5,418,078 thousand; investment accounted for by using equity method increased by NT\$1,763,065 thousand; property, plant and equipment decreased by NT\$5,136,043 thousand; right-of-use asset increased by NT\$6,952,904 thousand and deferred tax assets decreased by NT\$1,320,184 thousand.</p> <p>3. Current liabilities decreased by NT\$13,669,181 thousand from the prior period due to: Payables (including related parties) decreased by NT\$6,933,292 thousand; tax liability for the current period decreased by 4,294,137 thousand; long-term liabilities expected to be settled within one year or one operating cycle decreased by NT\$4,450,000 thousand.</p>				

## 2. Analysis of Operating Performance

- (1) The main reasons for any material change in operating revenues, operating income, or income before tax during the past two fiscal years:

Unit: NT\$ thousands

Item \ Year	2019	2018	Difference	%
Operating revenues	646,022,809	767,550,218	(121,527,409)	(15.83)
Cost of goods sold	598,303,798	689,934,663	(91,630,865)	(13.28)
Gross profit (loss)	47,719,011	77,615,555	(29,896,544)	(38.52)
Operating expenses	10,933,355	11,146,231	(212,876)	(1.91)
Operating income (loss)	36,785,656	66,469,324	(29,683,668)	(44.66)
Non-operating income and expenses	8,112,695	8,077,789	34,906	0.43
Income before income tax	44,898,351	74,547,113	(29,648,762)	(39.77)
Income tax expense (profit)	8,150,178	14,476,282	(6,326,104)	(43.70)
Net income	36,748,173	60,070,831	(23,322,658)	(38.83)
Analysis of increase or decrease in ratios:				
1. Gross profit for the current period decreased by NT\$29,896,544 thousand. Due to the sluggish economy and trade war, gross profit was affected by the shrinking spread between raw material and products.				
2. Operating profit was decreased by NT\$29,683,668 thousand from the prior period due to the decline of gross margin as mentioned earlier.				

- (2) Sales volume forecast and its basis, and the effect upon the company's financial operations as well as measures to be taken in response:

The Company estimated the sales of gasoline in 2020 to reach 5,413 thousand KL, and the sales of diesel to reach 10,361 thousand KL. With respect to petrochemical products, depending on the downstream demand, the sales of ethylene are estimated to reach 3,084 thousand tons, and the sales of propene to reach 2,475 thousand tons. With respect to utility liquid, the prioritized goal of the utility plants is to stabilize the supply of electricity and steam for satisfying the production requirement of plants. It is estimated that the full-year sales of electricity will amount to 10 billion kWh and the full-year sales of steam will amount to 15,219 thousand tons.

### 3. Analysis of Cash Flow

#### (1) Cash Flow Analysis in the last two years

Item \ Year	2019	2018	Difference (%)
Cash flow ratio (%)	119.39%	152.58%	(33.19%)
Cash flow adequacy ratio (%)	163.89%	188.82%	(24.93%)
Cash flow reinvestment ratio (%)	-0.27%	2.48%	(2.75%)
Analysis of increase or decrease in ratios:			
(1) The decrease in cash flow ratio comparing with that in the prior period is the result of a decrease in cash inflow from operating activities comparing with that in the prior period.			
(2) The decrease in cash flow adequacy ratio comparing with that in the prior period is the result of an increase in cash dividends for the most recent five years comparing with that in the prior period.			
(3) The decrease in cash reinvestment ratio comparing with that in the prior period is the result of a decrease in cash inflow from operating activities comparing with that in the prior period.			

#### (2) Cash Flow Analysis in the next year

Unit: NT \$thousands

Cash balance-beginning (1)	Net cash provided by operating activities (2)	Net cash used in investing and financing activities (3)	Cash balance (deficit) (1)+(2)-(3)	Remedy for insufficient cash	
				Investment plan	Financing plan
31,678,038	47,546,743	55,768,322	23,456,459	-	-
Analysis of changes in cash flow for the current fiscal year:					
(1) Operating activities: Net cash inflow is estimated to be NT\$47,546,743 thousand in 2020, mainly because company's stable profit earning, which generate cash inflow from operating activities.					
(2) Total cash outflow is estimated to be NT\$55,768,322 in 2020. Of the amount:					
1. Investment activities: The estimated cash outflow for 2020 is NT\$40,232,054 thousand, mainly due to expenditures in investment such as project improvement and reinvestment expenses.					
2. Financing activities: the estimated cash outflow in 2020 is NT\$15,536,268 thousand, mainly due to the distribution of cash dividends and repayment of corporate bonds.					

#### 4. The Effect upon Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year:

The Company's primary capital expenditure is allocated to improve the

Company's manufacturing processes. The main funding source is financial loans and the Company's own capital, and has no material impact on the Company's financial operations.

5. The Company's Reinvestment Policy for the Most Recent Fiscal year, and the Main Reasons for the Profits/Losses Generated Thereby, the Plan for Improving Reinvestment Profitability, and Investment Plans for the Coming Year:

For all information on the Company's reinvestments, please refer to Page 313 to 316. The Company will continue to replace and improve the production processes and equipment in the Mailiao Industrial Complex. In addition, quality improvement for the petrochemical products will be actively made to add value to the products. Currently, there is also a project in progress to improve the efficiency of the waste acid recycling unit.

With respect to reinvestment, the Company will carry on to expand its downstream product pipelines in the future. Among all the plans, a joint venture with Kraton to add 40,000 tons of capacity in the production of hydrogenated styrenic block copolymers (HSBC) has launched operation in February 2017. Apart from the above, a plant jointly invested by Idemitsu Kosan, Japan, which create extra capacity of 43.8 thousand tons for hydrogenated hydrocarbon resins (HHCR), the construction has completed in 2019. In overseas investment, the Company created a holding company, namely, "FG INC" in Delaware with an aim to set up "FG LA LLC", a 100% owned entity in Louisiana, under which the construction plan of an Ethan cracker to be established in Louisiana and other related investment plans will be implemented. The environment assessment certificate was acquired in January 2020, and the following construction works will proceed.

6. Risks

6.1 The impact of Interest rate, exchange rate, and inflation rate changes on the company's revenue, as well as corresponding actions:

1. Interest Rate:

In terms of long-term liabilities under floating interest rate basis (corporate bond included), the Company will carefully assess financial market conditions and consider the implementation of interest rate swap when the interest rate is relatively low to avoid interest rate fluctuation risks. The company strives to make sure the undertaking interest rate is below the estimated cost of capital of investment plans.

2. Exchange Rate Fluctuation:

Insufficient foreign exchange funds in daily operations are addressed by making spot or forward foreign exchange purchases when the exchange rate is favorable. Long-term foreign exchange liabilities are addressed by implementing long-term forward foreign exchange contracts or exchange-

for-exchange contracts when the exchange rate is relatively low to minimize the impact of exchange rates on profitability.

3. Inflation:

According to Directorate of Budget, Accounting, and Statistics, Executive Yuan, the annual growth rate of consumer prices in 2019 was 0.56%, and the annual growth rate of core consumer prices was 0.50%. The inflation risk was low and had no significant influence on the Company's profitability.

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

1. Investment under High Risks and Leverage:

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

2. Lending of Capital:

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

3. Endorsement:

The company only endorses and guarantees subsidiaries or affiliated companies. The endorsement is mostly for funding and import taxes. As affiliated companies have sound financial conditions and robust operations, there has never been a loss due to endorsement.

4. Derivative Product Transactions:

The Company's various derivative commodity transactions are for the purpose of avoiding market risks caused by fluctuations in exchange rates and interest rates instead of arbitrage and speculation. Any of the implementation of derivative product transactions is based on not only relevant regulations and International Financial Reporting Standards (IFRS) promulgated by the competent authority, but also "Procedures for Derivatives Transaction Processing" and the "Foreign Exchange Trading and Risk Management Measures" defined by the Company.

6.3 Research and development projects to be carried out in the future and further expenditures expected for research and development work:

Unit: NT\$ thousands

Item	Description	Schedule (Estimated date of completion)	Estimated Expenditure
Improve sludge odor treatment in the sewage treatment plant.	Sludge from the sewage treatment plant must be treated at an incinerator, and the organization in charge of the incinerator requires that the odor of sludge to be improved. The Company plans to formulate measures and evaluate the benefits of improving the odor of sludge.	2020.6.30	1,800
Cooling water lift-splitting in the butadiene area of Olefin Plant 1 to save electricity.	Different process areas Alkene Plant 1 use cooling water, including the ones which require high-lift cooling water and the ones which require low-lift cooling water. The original piping plan is not divided by area, which means the number and size of cooling water pumps have not been optimized. After the cooling water used in the butadiene process area has been divided, the cooling water circulation pump system can be adopted to stop using large pumps and going with small ones to save power.	2021.6.30	15,262
Increase the effective monitoring hours of the connection of the flare tower facilities of the olefin departments in various plants.	Environmental Protection Administration's(EPA) amendment to the "Management Regulations of Continuous Emission Monitoring System for Stationary Source Air Pollutants" stipulates that the flare tower's rate of effective monitoring hours should exceed 95% per quarter. The Company plans to improve the equipment in existing monitoring facilities to meet the new requirement.	2021.12.31	125,984

Item	Description	Schedule (Estimated date of completion)	Estimated Expenditure
Install early warning system for equipment abnormality in conjunction with the Company's policy of promoting smart factory and AI application.	Formulate a model for healthy transit with AI technology. When the equipment deviates from the normal state, the system gives early warning to remind the personnel in charge of process and maintenance to make timely adjustments or repairs to ensure stable production.	2022.4.30	11,840

#### 6.4 Risk Impact and Mitigation Efforts Associated with Changes in the Government Policies and Regulatory Environment:

The Company closely monitors all domestic and foreign governmental policies and regulations that might impact the Company's business and financial operations and arranges personnel to receive professional training as needed. During the period of 2019 to February 29th, 2020, the following changes or developments in governmental policies and regulations may influence the Company's business and financial operations:

- (1) Amendments to the Statute for Industrial Innovation, made on July 24th, 2019, according to the President-Hua-Tzung-Yi-Ching-Tzu order number 10800073771, were mostly concerned with extending the tax benefits for research and development (R&D) investments to the end of 2029, and introducing regulations such as allowing investment expenditure to be listed as deductions to undistributed earnings. The Company will use such amendments as references for filing R&D and investment expenses to benefit from related tax exemptions.
- (2) The Management, Utilization, and Taxation of Repatriated Offshore Funds Act, announced on July 24th, 2019, according to the President-Hua-Tzung-Yi-Ching-Tzu order number 10800075631, is mostly concerned with the investment income derived from an offshore invested enterprise that profit-seeking enterprises have applied for repatriation for use toward substantial investments and meet other conditions including 25% cap on financial investment and cannot be used for acquisition of real property. Tax benefits including 8% tax rate in the first year, 10% tax rate in the second year, and a 50% refund of the tax paid upon completing the substantial investment can be applied toward such funds. The



Company will apply for repatriation of investment income derived from an offshore invested enterprise pursuant to relevant regulations when necessary based on the business and financing status of the Company and its offshore invested enterprises.

- (3) Other than the aforementioned laws, other changes or important policies adopted in the legal environment do not have significant impact on the Company's financial operations.

#### 6.5 Risks and the measure to respond associated with Changes in Technology and Industry:

The Company operates in an industrial environment with mature technologies, and no material changes in technologies have occurred.

#### 6.6 Changes in Corporate Image and Impact On Company's Crisis Management:

FPCC adheres to the business philosophy of "Diligence, Perseverance, Frugality and Trustworthiness, To Aim at the Sovereign Good, Perpetual Business Operation, and Dedication to the Society" and establishes a good corporate image. In the future, the Company will continue to implement the concept, strive for excellence, and make greater contributions to the society.

#### 6.7 Expected benefit, possible risk and the measure to respond associated with Mergers and Acquisitions: None.

#### 6.8 Expected benefit, possible risk and the measure to respond associated with expansion of the plant: None.

#### 6.9 Expected benefit, possible risk and the measure to respond associated with Sales Concentration and Purchase Concentration:

- (1) Purchase: The type of raw materials used in the Company's refining oil plants and light-oil crackers are mainly crude oil and naphtha oil procured from major oil-producing countries in the Middle East. The production of oil in the region is affected occasionally by turmoil, and this puts the Company at the risk of interrupted oil supply and cause the concern of unstable oil source and prices. Because of the Company's superior refining technologies and sufficiently flexible manufacturing processes, the Company can prevent unstable crude oil supply and control the procurement cost by taking measures to purchase crude oil from various oil production counties. There are also long-term purchase contracts signed in place with overseas oil or coal suppliers to minimize risks.

- (2) Sales: The Company makes sales with a variety of business contacts and from a variety of areas. In 2019, domestic sales accounted for 55% of the total and overseas sales accounted for 45% of the total. Domestic sales are

made mainly from signing contracts with customers so the condition is stable. Overseas sales are made in areas such as South East Asia, Korea, Australia, Europe, and America and are dependent on the production and sales condition of regional refining plants as well as the international market status. The petrochemical products are mainly sold to companies located in the Sixth Naphtha Cracker Zone so the risk is low. Unused electricity generated from utility plants is sold back to Taiwan Power Company in accordance with contract agreements so the risk is also low.

6.10 Potential Impact and Risks Associated with Sales of Significant Numbers of Shares by FPCC's Directors, Supervisors, and/or Major Shareholders Who Own 10% or More of FPCC's Total Outstanding Shares: None.

6.11 Risks Associated with Change in Management: None.

6.12 Major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any Director, Supervisor, the General Manager, the substantial person in charge, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still ongoing, where such a dispute could materially affect shareholders' equity or the prices of the company's securities, disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

After assessment, the Company's ongoing litigation cases will not cause significant impact on shareholders' equity or securities prices; however, the main litigation cases are disclosed here for the purpose of information disclosure as follows:

(1) Counterparty of litigation: Environmental Protection Bureau of Tainan City Government

Summary: The Company's by-product, lime, was illegally recognized as industrial waste by the Environmental Protection Bureau of Tainan City Government, a fine had been imposed and the company was required to improve within a time limits. The case is currently reviewed by the Supreme Administrative Court.

The amount at stake involved in the legal dispute: The total amount of penalty is NT\$144,156,590.

(2) Counterparty of litigation: Shu-Fen Chang and other 73 residents of Taixi Township.

Summary: Shu-Fen Chang and other 73 residents of Taixi Township sued against the Company for the cause that gas emission from the Sixth

Naphtha Cracker plants was thought to lead to carcinogenic harm. The case is currently reviewed by the Taiwan Yunlin District Court.

The amount of money at stake in the dispute: NT\$70,170 thousand.

#### 6.13 Operational risk management:

The Company's computer information system is entirely developed internally and customized in accordance with the need of the Company's organizations and policies. The Company's computer information system puts emphasis on internal check-and-balance control. For example, operations such as purchase, outsourcing, capital funding, and backend and frontend financing shall be mutually independent and reconciled to avoid any operational risks. The Company's computer information system consists of six interlocked and mutually connected functions: Personnel Management, Operational Management, Production Management, Construction Management, Material Management, and Financial and Accounting Management. Once a data is entered into the system, it can be transferred and applied in different layers of functions to prevent mistakes. Moreover, to control anomalies, management reports generated in the system are transformed into "talking reports" which are able to identify anomalies automatically. This character makes the Company's operational management function featured both the benefits of risk control and business management.

#### 6.14 Organizational structure of risk management:

Risk Assessment Items	Risk Management Units	Risk Review
1. Fluctuation of interest rate and foreign exchange rate as well as inflation	President's Office, Accounting Department, Financial Division, and General Management Department of the Formosa Plastics Group	Board of Directors, Auditing Office, computer auditing and regular self-inspection, monthly capital review conference, and conference for financial supervisors.
2. High-risk, highly leveraged investments, loans to other parties, endorsements and guarantees, and derivatives trading	President's Office, Financial Division, and General Management Department of the Formosa Plastics Group	Board of Directors, Auditing Office, Computer auditing and regular self-inspection, monthly capital review meeting, and conference for financial supervisors.
3. Research and development plans	President's Office, Manager's Office of each business division, and General Management Department of the Formosa Plastics Group	Board of Directors, Auditing Office, production and sales conference, operational performance conference, conference for research and development

Risk Assessment Items	Risk Management Units	Risk Review
		projects
4. Important policies adopted and changes in the legal environment	President's Office, Manager's Office of each business division, Legal Affairs Office, General Management Department of the Formosa Plastics Group	Board of Directors, Auditing Office, production and sales conference, and operational performance conference
5. Technological changes	President's Office, Manager's Office of each business division, and General Management Department of the Formosa Plastics Group	Board of Directors, Auditing Office, production and sales conference, and operational performance conference
6. Changes in corporate image	President's Office, Manager's Office of each business division, and General Management Department of the Formosa Plastics Group	Board of Directors, Auditing Office, production and sales conference, and operational performance conference
7. Merger and acquisition or reinvestment	President's Office, Manager's Office of each business division, and General Management Department of the Formosa Plastics Group	Board of Directors, Auditing Office, production and sales conference, and operational performance conference
8. Expansion of plant	President's Office, Manager's Office of each business division, and General Management Department of the Formosa Plastics Group	Board of Directors, Auditing Office, production and sales conference, and operational performance conference
9. Centralization of purchases or sales	President's Office, Manager's Office of each business division, and General Management Department of the Formosa Plastics Group	Board of Directors, Auditing Office, production and sales conference, and operational performance conference
10. Equity transfer from Directors, Supervisors, and major shareholders	President's Office, Shareholding Service Office of Financial Division	Board of Directors, Auditing Office, and business management conference
11. Changes in managerial control	President's Office and General Management Department of the Formosa	Board of Directors, Auditing Office, and business management

Risk Assessment Items	Risk Management Units	Risk Review
	Plastics Group	conference
12. Litigation and non-litigation cases	President's Office, Manager's Office of each business division, and Legal Affairs Office	Board of Directors, Auditing Office, production and sales conference, and operational performance conference
13. Climate change	President's Office, Manager's Office of each business division, and General Management Department of the Formosa Plastics Group	Board of Directors and Auditing Office

#### 6.15 Other Important Risks and the measure to response : Information Security Risk Assessment

1. In order to ensure the security and stability of the computer network, prevent the abnormality of the information system and the damage of computer files, strengthen the protection of personal data, effectively control the risk of enterprise information systems, and maintain the continuous operation of the enterprise, we have established relevant administration regulations and processing guidelines for employees to follow, and constructs layer-by-layer control and protection mechanisms to protect application programs, operating systems and computer network. In order to ensure the safe use of information and the establishment of a reliable information environment, our company's information security policy is as follows:
  - (1) Comply with government laws and regulations, and popularize awareness of information security.
  - (2) Pay attention to risk management and protect data security.
  - (3) All the employees must participate, and we pursue continuous improvement.
2. The globally interconnected Internet makes business activities more flexible and fast, but cyber attacks are rising accordingly. These attacks include causing network services unavailable through creating a large number of network connections, snooping secrets over the network or affecting system service using computer viruses or malicious programs, stealing confidential information through the use of social engineering, or the leakage of confidential information due to insufficient security awareness of employees. In view of these risks, we have planned and arranged adequate security measures, as specified below.
  - (1) Adopt a defense-in-depth architecture to prevent network attacks. We build systems such as Intrusion Prevention System (IPS), malicious URL filtering, and Advanced Persistent Threat (APT) Prevention, and establish management and control mechanisms for Internet access, e-

mail, and personal information leakage.

(2) Establish mechanisms for physical access control, system login authentication, password control, access authorization and regular vulnerability scan, installing anti-virus software and security patches, controlling document and USB access, and establishing backup mechanisms to enhance endpoint protection.

(3) Conduct information security education and testing for employees every year to strengthen employees' awareness of cyber security risks.

(4) Review the security measures and regulations annually, pay attention to the security issues and make the response plan to ensure its appropriateness and effectiveness.

3. Due to the rapid changes in the attack techniques of hackers, the tactics continue to evolve, thus, we cannot guarantee our information system will not be affected by cyber threats. To mitigate the effects of cyber threats, we have considerable security protection measures and trainings.

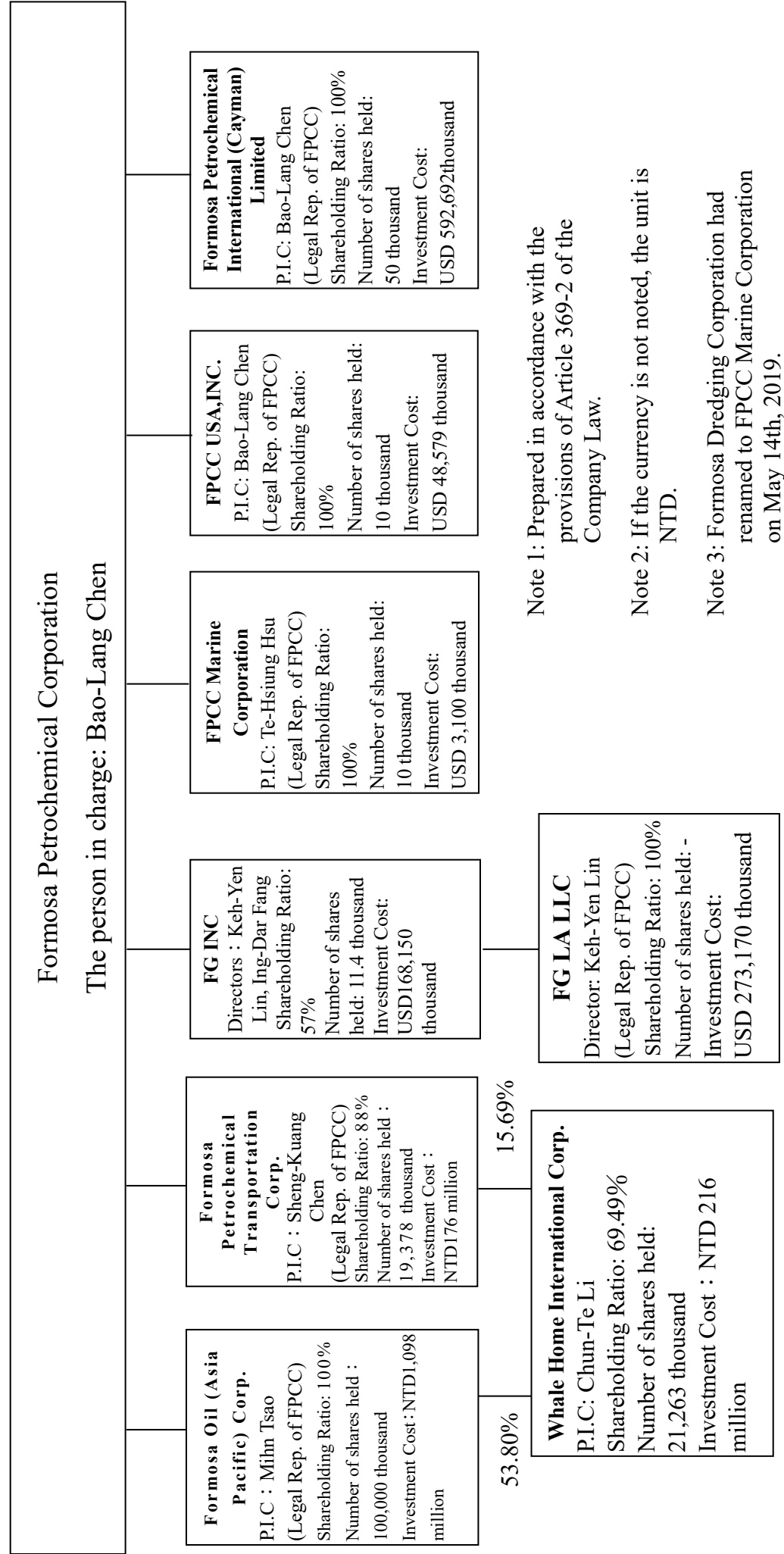
7. Other Important Matters: None

## VIII. Other Special Notes

### 1. Related Information of FPCC's Subsidiary

#### 1.1 Summary of FPCC's Subsidiary:

##### 1.1.1 Subsidiary Chart :( As of December 31st, 2019)



### 1.1.2 Subsidiary Information:

Unit: NT\$ thousands, USD thousands

Subsidiaries	Date of Incorporation	Address	Capital Stock	Main Business
Formosa Oil (Asia Pacific) Corporation	1999.04.01	5F., No. 201-34, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	NTD 1,000,000	Retail of oil products
Formosa Petrochemical Transportation Corporation	1999.02.05	No. 42, Biaofu Rd., Mailiao Township, Yunlin County 638, Taiwan (R.O.C.)	NTD 220,200	Transportation
Whale Home International Corporation	1997.12.08	No. 294, Xinshu Rd., Xinzhuang Dist., New Taipei City 242, Taiwan (R.O.C.)	NTD 306,000	Retail of oil products
FPCC USA, INC.	2006.03.31	245 Commerce Green Blvd., Suite 250, Sugar Land, TX 77478	USD 48,579	Oil drilling
FPCC Marine Corporation	2008.08.27	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	USD 3,100	Ship chartering
Formosa Petrochemical International (Cayman) Limited	2016.01.12	P.O. Box10335, Grand Cayman KY1-1003	USD 592,692	Investing
FG INC	2017.04.17	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801	USD 295,000	Investing
FG LA LLC	2017.04.17	301 Main Street Suite 2000 Baton Rouge, LA 70825	USD 273,170	Petrochemical products manufacturing & selling

1.1.3 Shareholders in Common of FPCC and Its Subsidiary with Deemed Control and Subordination: None.



#### 1.1.4 Business Scope of FPCC's Subsidiary

The subsidiary overall is engaged in petrochemical, retail of oil products, transportation and drilling. Formosa Oil (Asia Pacific) Corporation and Whale Home International Corporation sales the production of various oil products from FPCC; Formosa Petrochemical Transportation Corporation carries the production of oil and petrochemical products from FPCC such as gasoline, diesel, LPG, butadiene; FPCC USA, INC. engages the investment in the drilling of crude oil.

#### 1.1.5 Directors, Supervisors and Presidents of NTC's Subsidiaries (As of March 31st, 2020)

Unit: shares ; %

Name of Subsidiary	Title	Name or Representative	Shareholding	
			Shares	%
Formosa Oil (Asia Pacific) Corporation	Chairman	FPCC(Mihn Tsao)	100,000,000	100
	Director	FPCC (Welfred Wang)	100,000,000	100
	Director	FPCC (Ruey-Yu Wang)	100,000,000	100
	Director	FPCC (Keh-Yen Lin)	100,000,000	100
	Director	FPCC (Te-Hsiung Hsu)	100,000,000	100
	Supervisor	FPCC (Fu-Jen Ho)	100,000,000	100
Formosa Petrochemical Transportation Corporation	Chairman	FPCC (Sheng-Kuang Chen)	19,377,600	88
	Director	FPCC (Keh-Yen Lin)	19,377,600	88
	Director	FPCC (Jui-Shih Chen)	19,377,600	88
	Director	FPCC (Te-Hsiung Hsu)	19,377,600	88
	Director	FPCC (Ying-Han Wu)	19,377,600	88
	Supervisor	FPC (Fu-Jen Ho)	2,642,400	12

(Continued)

Name of Subsidiary	Title	Name or Representative	Shareholding	
			Shares	%
Whale Home International Corporation	Chairman	Chun-Te Li	2,255,220	7.37
	Director	Hui-Chen Ho	1,033,260	3.38
	Director	Chin-Hui Chen	850,680	2.78
	Director	Formosa Oil Corp. (Sheng-Kuang Chen)	16,462,820	53.80
	Director	Formosa Oil Corp. (Keh-Yen Lin)	16,462,820	53.80
	Director	Formosa Oil Corp. (Te-Hsiung Hsu)	16,462,820	53.80
	Director	Formosa Oil Corp. (Chun-Chieh Chen)	16,462,820	53.80
	Director	Formosa Oil Corp. (Min-Chuan Chen)	16,462,820	53.80
	Director	Formosa Oil Corp. (Yun-Wen Liao)	16,462,820	53.80
	Director	Formosa Oil Corp. (He-Chi Chen)	16,462,820	53.80
	Director	Jen-Chieh Tsai	0	0
	Supervisor	Chia-Cheng Chien	2,067,540	6.76
	Supervisor	Chien-Tang Tsai	0	0
FG INC	President	He-Chi Chen	0	0
	Director	Keh-Yen Lin	0	0
FG LA LLC	Director	Ing-Dar Fang	0	0
	Director	FG INC (Keh-Yen Lin)	0	100

(Continued)

Name of Subsidiary	Title	Name or Representative	Shareholding	
			Shares	%
FPCC Marine Corporation	Director	FPCC (Te-Hsiung Hsu)	10,000	100
	Director	FPCC (Chien-Tang Tsai)	10,000	100
FPCC USA, INC.	Director	FPCC (Bao-Lang Chen)	10,000	100
Formosa Petrochemical International (Cayman) Limited	Director	FPCC (Bao-Lang Chen)	50,000	100

#### 1.1.6 Operations overview (As of December 31st, 2019)

Unit: NT\$ thousands

Name of Subsidiary	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	Earnings per share (NT\$)
Formosa Oil (Asia Pacific) Corp.	1,000,000	6,765,952	5,312,336	1,453,616	16,821,417	317,044	288,624	2.89
Formosa Petrochemical Transportation Corp.	220,200	497,013	152,439	344,574	402,680	59,131	58,184	2.64
Whale Home International Corp.	306,000	361,593	34,113	327,480	14,913	10,664	8,701	0.28
FG INC	8,881,270	8,692,082	0	8,692,082	0	-20,040	-132,608	-6,630.41
FG LA LLC	8,224,056	8,019,138	8,528	8,010,610	0	-162,065	-154,897	-
FPCC Marine Corporation (Note 2)	93,329	7,227,763	6,843,061	384,702	2,538,188	71,819	99,846	9,984.56

(Continued)

Name of Subsidiary	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	Earnings per share (NT\$)
FPCC USA, Inc.	1,462,505	1,107,840	258,269	849,571	278,226	60,693	50,412	5,041.19
Formosa Petrochemical International (Cayman) Limited	17,843,593	11,220,776	0	11,220,776	0	-80	-80	-1.60

Note 1: Foreign exchange rate for financial statement of foreign affiliates is calculated as follows: For balance sheet - based on the exchange rate on December 31st, 2019, US\$1 = NT\$30.106; for income statement - based on the average exchange rate of 2019, US\$1 = NT\$30.9239.

Note 2: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14th, 2019.

1.2 Consolidated financial statements of affiliated companies: The same as the consolidated financial statements.

1.3 Affiliation Report: Not applicable.

2. Where the Company Has Carried Out a Private Placement of Securities during the Most Recent Fiscal Year or during the Current Fiscal Year Up to the Date of Publication of the Annual Report, Disclose the Date on Which the Placement Was Approved by the Board of Directors or by a Shareholders' Meeting, the Amount Thus Approved, the Basis for and Reasonableness of the Pricing, the Manner in Which the Specified Persons Were Selected, the Reasons Why the Private Placement Method Was Necessary, the Targets of the Private Placement, Their Qualifications, Subscription Amounts, Subscription Price, Relationship with the Company, Participation in the Operations of the Company, Actual Subscription (or Conversion) Price, the Difference between the Actual Subscription (or Conversion) Price and the Reference Price, the Effect of the Private Placement on Shareholders' Equity, and, for the Period from Receipt of Payment in Full to the Completion of the Related Capital Allocation Plan, the Status of Use of the Capital Raised through the Private Placement of Securities, the

Implementation Progress of the Plan, and the Realization of the Benefits of the Plan: Not applicable.

3. Holding or Disposal of the Company's Shares by Subsidiaries during the Most Recent Fiscal Year or during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

4. Other Matters that Require Additional Description: None.

5. Any of the Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities, and Has Occurred during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report: Not applicable.

**FORMOSA PETROCHEMICAL CORPORATION  
AND SUBSIDIARIES  
Consolidated Financial Statements  
For The Years Ended  
December 31, 2019 And 2018  
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, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No.10 by the Financial Supervisory Commission, “Consolidated 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 9, 2020

## **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, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, 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 2019 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 and its subsidiaries recognized operating revenues of NT\$646,022,809 thousand in 2019. Due to multiple different terms of contract and the distinctive industry characteristics, the complexity of revenue recognition increases. Therefore, identify obligation of customers contract and the appropriate timing of revenue recognition is a key audit matter when conducting the audit of the consolidated financial statements.

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 parties; 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 6.16 of the notes to the consolidated financial statements.

### Valuation of inventories

As of December 31, 2019, the inventories amounted to NT\$60,407,257 thousand, representing 15% of total assets, which is significant to the consolidated financial statements. The valuation of inventories consists of raw materials, finished goods and work in process. Due to the fluctuation of material prices such as crude oil, could lead to value fluctuation of inventories, resulting in complex calculation of net realizable value. Therefore, valuation of inventories is listed 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; perform tests on the net realizable value used by the management to evaluate its accuracy.

We also consider the appropriateness of inventories disclosure included in note 4 and note 6.7 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\$5,219,534 thousand and NT\$5,253,580 thousand, both representing 1% of consolidated total assets as of December 31, 2019 and 2018. The related shares of profit or loss of the associates and joint ventures under the equity method amounted to NT\$59,072 thousand and NT\$135,284 thousand, both representing 0% of the consolidated net income before tax for the years ended December 31 2019 and 2018, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(107,865) thousand and NT\$(32,883) thousand, representing (8)% and 0% of the consolidated other comprehensive income for the years ended December 31, 2019 and 2018, 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 or supervisors, 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 2019 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.

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, 2019 and 2018.

Lin, Li Huang  
Fuh, Wen Fun  
Ernst & Young, Taiwan  
March 9, 2020

#### 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, 2019 AND DECEMBER 31, 2018**

**(Expressed in Thousands of Dollars)**

		December 31, 2019	December 31, 2018
ASSETS	Notes	NTD	NTD
CURRENT ASSETS			
Cash and cash equivalents	4 & 6.1 & 12	\$31,678,038	\$37,753,658
Financial assets at fair value through profit or loss — current	4 & 6.2 & 12	4,043,969	4,016,864
Financial assets at fair value through other comprehensive income — current	4 & 6.3 & 8 & 12	59,429,034	51,304,527
Financial assets for hedging — current	4 & 6.4 & 12	3,410	13,353
Notes receivable, net	4 & 6.5 & 12	2,843	1,775
Notes receivable due from related parties, net	4 & 6.5 & 7 & 12	1,763,612	1,722,460
Accounts receivable	4 & 6.5 & 12	22,008,397	23,675,099
Lease receivables	4 & 6.6 & 12	-	276,137
Accounts receivable due from related parties, net	4 & 6.5 & 7 & 12	23,479,906	28,415,749
Finance lease receivable, net	4 & 6.18 & 7 & 12	293,451	-
Other receivables (including from related parties)	7 & 12 & 13	13,775,919	15,522,723
Inventories	4 & 6.7	60,407,257	60,878,921
Prepayments	6.8	8,941,340	7,847,980
Other current assets	8	665,461	769,508
Total current assets		226,492,637	232,198,754
NONCURRENT ASSETS			
Financial assets at fair value through other comprehensive income — non-current	4 & 6.3 & 12	16,633,662	22,051,740
Investments accounted for using the equity method	4 & 6.9	27,819,090	26,056,025
Property, plant and equipment	4 & 6.10 & 7 & 8	102,230,648	107,366,691
Mineral resources	4	1,006,804	581,442
Right-of-use assets	4 & 6.18 & 7	6,952,904	-
Investment property	4 & 6.11	366,244	374,081
Deferred tax assets	4 & 6.22	4,345,606	5,665,790
Long-term lease receivables	4 & 6.6 & 12	-	3,431,686
Long-term finance lease receivable, net	4 & 6.18 & 7 & 12	3,251,152	-
Other non-current assets	4 & 6.11	8,933,046	8,043,246
Total non-current assets		171,539,156	173,570,701
TOTAL ASSETS		\$398,031,793	\$405,769,455

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, 2019 AND DECEMBER 31, 2018**

**(Expressed in Thousands of Dollars)**

<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
		<b>NTD</b>	<b>NTD</b>
<b>CURRENT LIABILITIES</b>			
Short-term loans	6.12 & 8 & 12	\$307,387	\$759,871
Financial liabilities for hedging — current	4 & 6.4 & 12	-	95,472
Contract liabilities — current	4 & 6.16	52,014	274,843
Notes payable	12	12,225	19,194
Accounts payable	12	11,519,185	17,161,925
Accounts payable to related parties	7 & 12	1,851,998	3,142,550
Other payables		14,721,479	12,357,315
Other payables to related parties	7	267,347	729,663
Current tax liabilities	4 & 6.22	3,490,703	7,784,840
Current lease liabilities	4 & 6.18 & 7 & 12	1,041,408	-
Current portion of long-term debts	6.13	3,200,000	7,650,000
Lease obligations payable — current	7 & 9 & 12	-	210,021
Other current liabilities	9	298,497	245,730
Total current liabilities		<u>36,762,243</u>	<u>50,431,424</u>
<b>NONCURRENT LIABILITIES</b>			
Bonds payable	6.13	14,700,000	6,800,000
Deferred tax liabilities	4 & 6.22	159,726	225,707
Non-current lease liabilities	4 & 6.18 & 7 & 12	6,123,693	-
Lease obligations payable — non-current	7 & 9 & 12	-	1,604,297
Defined benefit pension liability	4 & 6.14	4,919,997	4,660,178
Other non-current liabilities		1,364,129	1,391,669
Total non-current liabilities		<u>27,267,545</u>	<u>14,681,851</u>
<b>TOTAL LIABILITIES</b>		<u>64,029,788</u>	<u>65,113,275</u>
<b>EQUITY</b>			
Capital stock			
Common stock	4 & 6.15	95,259,597	95,259,597
Capital surplus		31,399,948	31,385,997
Retained earnings			
Legal reserve		68,510,664	62,501,642
Special reserve		3,033,784	3,033,784
Unappropriated earnings		99,680,185	114,793,328
Total retained earnings		<u>171,224,633</u>	<u>180,328,754</u>
Other equity		32,338,883	30,763,860
Others noncontrolling interest	6.15	3,778,944	2,917,972
<b>TOTAL EQUITY</b>		<u>334,002,005</u>	<u>340,656,180</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><u>\$398,031,793</u></u>	<u><u>\$405,769,455</u></u>

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, 2019 AND 2018**  
**(Expressed in Thousands of Dollars, Except for Earnings per Share)**

	Notes	For the Year Ended December 31, 2019 NTD	For the Year Ended December 31, 2018 NTD
OPERATING REVENUES	4 & 6.16 & 7	\$646,022,809	\$767,550,218
OPERATING COSTS	4 & 6.7 & 6.19 & 7	598,303,798	689,934,663
GROSS PROFIT		47,719,011	77,615,555
OPERATING EXPENSES	4 & 6.14 & 6.17 & 6.19 & 7		
Selling and marketing		6,044,115	6,339,800
General and administrative		4,729,909	4,529,003
Research and development		223,951	302,341
Expected credit losses (gains)		(64,620)	(24,913)
Total operating expenses		10,933,355	11,146,231
OPERATING INCOME		36,785,656	66,469,324
NON-OPERATING INCOME AND EXPENSES			
Other income	6.20 & 7	7,185,593	6,306,674
Other gains and losses	6.20 & 7	693,164	1,993,421
Financial costs	6.20 & 7	(591,550)	(690,243)
Share of profit or loss of associates and joint ventures accounted for using the equity method	4 & 6.9	825,488	467,937
Total non-operating income and expenses		8,112,695	8,077,789
INCOME BEFORE INCOME TAX		44,898,351	74,547,113
INCOME TAX EXPENSE	4 & 6.22	8,150,178	14,476,282
NET INCOME		36,748,173	60,070,831
OTHER COMPREHENSIVE INCOME	6.9 & 6.21		
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(215,828)	(135,820)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income		3,022,832	(10,033,920)
Share of other comprehensive income of associates and joint ventures accounted for using equity method		(767,580)	(753,325)
Income tax (benefit) expense relating to items that will not be reclassified		(43,166)	(60,612)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		(553,112)	762,806
Gains (losses) on hedging instrument		85,529	(122,413)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(283,201)	215,320
Income tax relating to items that may be reclassified		17,106	(23,274)
Total other comprehensive income (loss) for the period, net of income tax		1,314,700	(9,983,466)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		\$38,062,873	\$50,087,365
NET INCOME ATTRIBUTABLE TO:			
Shareholders of the parent		\$36,798,213	\$60,090,225
Noncontrolling interests		(50,040)	(19,394)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		\$36,748,173	\$60,070,831
Shareholders of the parent		\$38,195,509	\$50,024,167
Noncontrolling interests		(132,636)	63,198
EARNINGS PER SHARE (NTD)		\$38,062,873	\$50,087,365
Earnings per share — basic/diluted	4 & 6.23		
Continuing operating income before tax		\$4.71	\$7.82
Net Income		\$3.86	\$6.31

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, 2019 AND 2018**  
(Expressed in Thousands of Dollars)

Equity Attributable to Shareholders of the Parent													
	Other Component of Equity												
	Unrealized gains (losses) from Equity Instruments					Foreign Currency Translation Reserve	Investments measured at Fair Value through Other Comprehensive Income	Unrealized gain or loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Gains (losses) on Hedging Instruments	Total Parent Equity	Noncontrolling Interest	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings								
New Taiwan Dollars													
Balance as of January 1, 2018	\$95,259,597	\$31,422,127	\$54,484,627	\$3,033,784	\$120,590,574	\$(222,138)	\$-	\$36,684,584	\$33,445	\$-	\$341,286,600	\$2,859,884	\$344,146,484
Effects of retrospective application and retrospective restatement	-	-	-	-	2,228,393	-	40,933,308	(36,684,584)	33,445	-	6,477,117	(300)	6,476,817
Balance as of January 1, 2018 after adjustment	95,259,597	31,422,127	54,484,627	3,033,784	122,818,967	(222,138)	40,933,308	-	33,445	-	347,763,717	2,859,584	350,623,301
Appropriation of 2017 earnings:													
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	8,017,015	-	(8,017,015)	-	-	-	-	-	-	-	-
Other change in capital surplus:													
Changes in equity of associates and joint ventures accounted for using equity method	-	(36,153)	-	-	-	-	-	-	-	-	(36,153)	-	(36,153)
Other change in capital surplus	-	23	-	-	-	-	-	-	-	-	23	-	23
Net income for the year ended December 31, 2018	-	-	-	-	60,090,225	-	-	-	-	-	60,090,225	(19,394)	60,070,831
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(83,650)	894,833	(10,778,102)	-	(99,139)	(99,139)	(10,066,038)	82,592	(9,983,466)
Total comprehensive income	-	-	-	-	60,006,575	894,833	(10,778,102)	-	(99,139)	(99,139)	50,024,167	63,198	50,087,365
Increase (decrease) in noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	(4,810)	(4,810)
Disposal of equity instruments investments designated at fair value through other comprehensive income	-	-	-	-	(1,653)	-	1,653	-	-	-	-	-	-
Balance as of December 31, 2018	\$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
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 change 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 noncontrolling 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

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, 2019 AND 2018**

(Expressed in Thousands of Dollars)

	<b>For the Year Ended December 31, 2019</b>	<b>For the Year Ended December 31, 2018</b>
	<b>NTD</b>	<b>NTD</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$44,898,351	\$74,547,113
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation and depletion	12,092,641	13,218,533
Amortization	1,604,675	1,951,632
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(27,105)	(220,105)
Interest expense	591,550	690,243
Interest income	(702,037)	(891,976)
Dividends income	(4,464,038)	(3,325,548)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(825,488)	(467,937)
(Gain) loss on disposal of property, plant and equipment	(44,676)	4,642
(Gain) loss on disposal of investment property	-	(5,908)
(Gain) loss on disposal of investments accounted for using equity method	(7,043)	-
Impairment loss on non-financial assets	21,009	47,918
Other adjustments — (gain) loss on lease modifications	(2,213)	-
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	-	2,342,283
Decrease (increase) in notes receivable (including related parties)	(42,220)	(120,003)
Decrease (increase) in accounts receivable (including related parties)	6,602,545	2,562,948
Decrease (increase) in other receivables (including related parties)	1,735,449	586,456
Decrease (increase) in inventories	471,664	(2,502,774)
Decrease (increase) in prepayments	(2,357,753)	243,795
Decrease (increase) in other current assets	131,241	16,572
Increase (decrease) in contract liabilities	(222,829)	176,580
Increase (decrease) in notes payable	(6,969)	11,992
Increase (decrease) in accounts payable (including related parties)	(6,930,367)	8,364,714
Increase (decrease) in other payables	2,382,731	(1,134,478)
Increase (decrease) in other current liabilities	112,993	(1,921,948)
Increase (decrease) in defined benefit pension liability, net	43,988	45,225
Cash from operating activities	<u>55,056,099</u>	<u>94,219,969</u>
Income taxes received (paid)	<u>(11,164,053)</u>	<u>(17,270,084)</u>
Net cash provided by (used in) operating activities	<u>43,892,046</u>	<u>76,949,885</u>

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, 2019 AND 2018**

(Expressed in Thousands of Dollars)

	<b>For the Year Ended December 31, 2019</b>	<b>For the Year Ended December 31, 2018</b>
	<b>NTD</b>	<b>NTD</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(18,550)	(1,826,070)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	21,752
Acquisition of investments accounted for using the equity method	(2,440,432)	(2,036,919)
Disposal of investments accounted for using the equity method	18,160	-
Acquisition of property, plant and equipment:		
Cost paid	(7,686,933)	(12,378,597)
Interest paid	(1,663)	(2,354)
Proceeds from disposal of property, plant and equipment	73,202	12,198
Decrease in receipts in advance due to disposal of assets	(60,226)	-
Decrease in other receivables — due from affiliates	-	16,898,810
Acquisition of use-of-right assets	(30,257)	-
Proceeds from disposal of investment property	-	53,329
Decrease in long-term lease receivables	351,352	150,425
Increase in other financial assets	(27,195)	-
Decrease in other financial assets	-	97,669
Increase in other non-current assets	(1,243,009)	(1,776,483)
Interests received	713,395	913,075
Dividends received	4,909,604	4,077,751
Acquisition of mineral resources	(599,925)	(181,518)
Net cash provided by (used in) investing activities	<u>(6,042,477)</u>	<u>4,023,068</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	-	179,805
Decrease in short-term loans	(452,484)	-
Proceeds from issuing bonds (including current portion)	11,100,000	-
Repayment of bonds (including current portion)	(7,650,000)	(11,250,000)
Repayment of long-term debt (including current portion)	-	(15,896,216)
Increase in other payables to related parties	-	528,498
Decrease in other payables to related parties	(462,316)	-
Decrease in lease payable	-	(205,580)
Payments of lease liabilities	(1,069,557)	-
Increase in other non-current liabilities	-	7,138
Decrease in other non-current liabilities	(27,241)	-
Cash dividends paid	(45,724,366)	(60,013,090)
Interest paid	(604,849)	(794,966)
Change in noncontrolling interests	993,608	(4,810)
Net cash provided by (used in) financing activities	<u>(43,897,205)</u>	<u>(87,449,221)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(27,984)</u>	<u>105,278</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(6,075,620)</u>	<u>(6,370,990)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>37,753,658</u>	<u>44,124,648</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$31,678,038</u></u>	<u><u>\$37,753,658</u></u>

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

**English Translation of Consolidated Financial Statements Originally Issued in Chinese**

**Formosa Petrochemical Corporation**  
**Notes To Consolidated Financial Statements**  
**For the Years Ended December 31, 2019 and 2018**  
**(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 28.56%、23.11% and 24.15%, respectively, as of December 31, 2019.

**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, 2019 and 2018 were authorized for issue in accordance with a resolution of the Board of Directors on March 9, 2020.

**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, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(a) *IFRS 16 “Leases”*

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Company followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

- A. Please refer to Note 4 for the accounting policies before or after January 1, 2019.
- B. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on January 1, 2019. The Group was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Group need to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that 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. The Group assessed most of the contracts are, or contain, leases and has no significant impact arisen.
- C. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019, and; the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at either:

An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Group's right-of-use asset and lease liability increased by NT\$6,316,948 and NT\$6,316,948, respectively.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

- i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
- iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
- iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
- v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

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(b) Leases previously classified as finance leases

For leases that were previously classified as finance leases applying IAS 17, the Group reclassified the lease asset of NT\$1,597,781 thousand and the lease payable of NT\$1,814,318 thousand as measured by IAS 17 to the right-of-use asset of NT\$1,597,781 thousand and the lease liability of NT\$1,814,318 thousand, respectively, on January 1, 2019.

(c) Please refer to Note 4 and Note 6 for additional disclosure of lessee which required by IFRS 16.

(d) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

- i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.979%.
- ii. The explanation for the difference of NT\$1,611,256 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as at January 1, 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	<u>\$7,233,537</u>
Discounted using the incremental borrowing rate on January 1, 2019	\$6,520,010
Add: the carrying value of lease payables as at December 31, 2018	1,814,318
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	<u>(203,062)</u>
The carrying value of lease liabilities recognized as at January 1, 2019	<u>\$8,131,266</u>

D. The Group is a lessor and has not made any adjustments. Please refer to Note 4 and Note 6 for the information relating to the lessor.

- (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.

## **English Translation of Financial Statements Originally Issued in Chinese**

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	January 1, 2020
b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

### *(a) Definition of a Business - Amendments to IFRS 3*

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

### *(b) Definition of a Material - Amendments to IAS 1 and 8*

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

### *(c) Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7*

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

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### **(1) highly probable requirement**

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

### **(2) prospective assessments**

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

### **(3) IAS 39 retrospective assessment**

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

### **(4) separately identifiable risk components**

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. Apart from item (c) will impact disclosure, there is no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not 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	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, 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

- (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*

## **English Translation of Financial Statements Originally Issued in Chinese**

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.

### **(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.



## **English Translation of Financial Statements Originally Issued in Chinese**

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 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, 2019 and 2018 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

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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:

Investor	Subsidiaries	Main business	Percentage of ownership (%)	
			December 31, 2019	December 31, 2018
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%	100%
The Company	Formosa Petrochemical International (Cayman) Limited	Investing	100%	100%
The Company	FG INC.	Investing	57%	57%
FG INC.	FG LA LLC	Petrochemical products manufacturing and selling	100%	100%
FPCC Marine Corporation (Note1)	Formosa Petrochemical Marine Company Limited(Note2)	Transportation	-	100%

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Note 1: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

Note 2: Formosa Petrochemical Marine Company Limited has been dissolved on September 20, 2019.

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, 2019	December 31, 2018
Formosa Oil (Asia Pacific) Corp.	Whale Home International Corp.	Sales Retailer	53.80%	51.23%
Formosa Petrochemical Transportation Corp.	Whale Home International Corp.	Sales Retailer	15.69%	15.69%

Note: The total percentages of ownership of Formosa Oil (Asia Pacific) Corporation and Formosa Petrochemical Transportation Corporation in Whale Home International Corp., Ltd. was 69.49% and 66.92% as of December 31, 2019 and 2018, respectively. The Company does exercise the significant influence on Whale Home International Corp., Ltd. However, because the total assets, liabilities and net income of Whale Home International Corp., Ltd, accounted for only 0.09%, 0.05%, 0.02% and 0.09%, 0.04%, 0.01% of the Company's corresponding accounts as of December 31, 2019 and 2018. Therefore, Whale Home International Corp., Ltd was not included in the consolidated financial statement.

(b) Although NKFG is wholly-owned by the Group before September 20, 2019, it is a joint venture rather than a subsidiary based on its economic substance. The percentage of ownership of the Group in NKFG was changed from 100% to 50% after September 20, 2019. Please refer to Note 6.(9).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.

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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.

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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.

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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.

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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.



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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 impairment of lease receivable, 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.

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### **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 equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

### **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 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.

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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**

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.

Under the equity method, the investment in the associate 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. After the interest in the associate 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. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate 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, 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 on a prorate basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid in capital and investment in associate. When the interest in the associate 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 prorated basis when the Group disposes of the associate.

The financial statements of the associate 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 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 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, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment.
- 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 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, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. The Group recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

**(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

Right-of-use assets/leased assets (note): 2~20 years

Leasehold improvements: The shorter of lease terms or economic useful lives

Note: The Group reclassified the lease asset to right-of-use asset after the adoption of IFRS 16 from January 1, 2019.

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 accounting policy from January 1, 2019 as follow:**

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.

**The accounting policy before January 1, 2019 as follow:**

The Group's 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, investment properties are measured using the cost model in accordance with the requirements of *IAS 16* for that model, 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*.



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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 accounting policy from January 1, 2019 as follow:**

For contracts entered on or after January 1, 2019, 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.

The Group elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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 discount 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 is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing 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.

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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 leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associate with those leases in the consolidated income statement.

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.

### **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.

### **The accounting policy before January 1, 2019 as follow:**

#### **Group as a lessee**

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

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A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

### **Group as a lessor**

The Group amortized lease revenue to each accounting period, in order to reflect the same return on net investment of lease. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating leases was recognized over the lease term using the straight line method. Contingent rents are recognized as revenue in the period in which they are earned.

## **(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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

## **(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.

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### **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.

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### **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, future salary increases, mortality rates and future pension increases. 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 countries 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.

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**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,	December 31,
	2019	2018
	NTD	NTD
Cash on hand and petty cash	\$5,164	\$5,135
Checking accounts	90,969	125,618
Demand deposits	13,193,530	12,315,896
Time deposits	9,000,004	18,417,115
Commercial paper	6,639,783	5,561,602
Repurchase bonds	2,748,588	1,328,292
Total	<u>\$31,678,038</u>	<u>\$37,753,658</u>

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,	December 31,
	2019	2018
	NTD	NTD
Mandatorily measured at fair value through profit or loss:		
Funds	<u>\$4,043,969</u>	<u>\$4,016,864</u>

The profit (loss) arising from financial assets at fair value through profit or loss were NT\$27,105 thousand and NT\$220,105 thousand for the years ended December 31, 2019 and 2018, respectively.

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

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

	As of	
	December 31,	December 31,
	2019	2018
	NTD	NTD
Equity instruments investments measured at fair value through other comprehensive income:		
Listed companies stocks	\$59,429,034	\$51,304,527
Unlisted companies stocks	16,633,662	22,051,740
Total	<u>\$76,062,696</u>	<u>\$73,356,267</u>
Current	\$59,429,034	\$51,304,527
Non-current	16,633,662	22,051,740
Total	<u>\$76,062,696</u>	<u>\$73,356,267</u>

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, 2019 and 2018 are as follow:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Related to investments held at the end of the reporting period	<u>\$4,464,038</u>	<u>\$3,325,548</u>

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, 2019 and 2018 are as follow:

	For the year ended December 31, 2019	For the year ended December 31, 2018
The fair value of the investments at the date of derecognition	\$-	\$21,752
The cumulative gain or loss on disposal	-	(1,653)

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**(4) Financial assets (liabilities) for hedging — current and non-current**

	As of	
	December 31,	December 31,
	2019	2018
	NTD	NTD
Financial assets for hedging		
Financial Derivatives		
Energy commodity swap contracts	\$3,410	\$13,353
Current	\$3,410	\$13,353
Non-current	-	-
Total	\$3,410	\$13,353
	As of	
	December 31,	December 31,
	2019	2018
	NTD	NTD
Financial liabilities for hedging		
Financial Derivatives		
Energy commodity swap contracts	\$-	\$95,472
Current	\$-	\$95,472
Non-current	-	-
Total	\$-	\$95,472

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

A. As of December 31, 2019 and 2018 there were 9 and 48 energy commodity swap contracts outstanding. The Company used these contracts to hedge the fluctuations of international crude oil and petroleum product 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 and petroleum product prices, the outstanding energy commodity swap contracts were as follows:

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

		December 31, 2018		
		Notional Quantity	Book Value	
Type of Transaction	Pricing Period		Asset NTD	Liability NTD
Singapore gasoline /	Jan.1, 2019~	300		
Dubai Crack Swap	Dec.31, 2019	(1,000 bbls)	\$11,363	\$200
Singapore gasoline/	Jan.1, 2019~	600		
Brent Crack Swap	Dec.31, 2019	(1,000 bbls)	-	95,272
Singapore jet fuel	Jan.1, 2019~	300		
/diesel oil Crack	Dec.31, 2019	(1,000 bbls)		
Swap			1,990	-
Total			13,353	95,472
Less: Financial assets (liabilities) for hedging — current			13,353	95,472
Financial assets (liabilities) for hedging — non-current			\$-	\$-

**(5) Notes and accounts receivable**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
A. Notes receivable	\$2,843	\$1,775
Less: Loss allowance	-	-
Notes receivable, net	\$2,843	\$1,775
B. Notes receivable – related parties	\$1,763,612	\$1,722,460
Less: Loss allowance	-	-
Notes receivable – related parties, net	\$1,763,612	\$1,722,460
C. Accounts receivable	\$22,502,988	\$24,280,011
Less: Loss allowance	(494,591)	(604,912)
Accounts receivable, net	\$22,008,397	\$23,675,099
D. Accounts receivable – related parties	\$23,479,906	\$28,415,749
Less: Loss allowance	-	-
Accounts receivable – related parties, net	\$23,479,906	\$28,415,749

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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, 2019 and 2018, the book value were NT\$47,749,349 thousand and NT\$54,419,995 thousand, respectively. Please refer to Note 6.17 for more details on loss allowance of trade receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

**(6) Lease receivables**

As of December 31, 2019 and 2018, the Group's non-cancellable capital leases of vessels were as follows:

	As of			
	December 31, 2019		December 31, 2018	
	(Note)			
	Lease	Lease	Lease	Lease
	payments	payments	payments	payments
	receivable	receivable	receivable	receivable
	gross	receivable	gross	receivable
Not later than one year			\$426,267	\$276,137
Later than one year and not later than five years			1,706,235	1,228,586
Later than five years			2,319,818	2,203,100
Total minimum lease payments			4,452,320	3,707,823
Less: Unearned finance income on finance lease			(744,497)	-
Present value of minimum lease payments			<u>\$3,707,823</u>	<u>\$3,707,823</u>

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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**(7) Inventories**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Raw materials	\$19,111,891	\$23,226,125
Supplies	5,275,383	4,775,465
Work in process	9,994,943	10,317,733
Finished goods	20,427,052	22,060,891
Goods in transit	5,596,250	496,724
By-product	1,738	1,983
Total	<u>\$60,407,257</u>	<u>\$60,878,921</u>

A. The cost of inventories (operating cost) recognized in expenses amounted to NT\$598,303,798 thousand and NT\$689,934,663 thousand for the years ended December 31, 2019 and 2018, including the expense (benefit) from inventory diluted to its respective net realizable value of NT\$(3,435,721) thousand and NT\$3,551,906 thousand for the years ended December 31, 2019 and 2018, respectively.

B. 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, 2019 and 2018.

**(8) Prepaid expense**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Prepaid expense — Maintenance	\$5,084,726	\$3,356,613
Prepaid expense — Material	1,620,336	1,846,855
Prepaid taxes — Input VAT	655,781	1,334,229
Prepaid expense — Insurance	64,386	46,727
Prepaid expense — Others	1,516,111	1,263,556
Total	<u>\$8,941,340</u>	<u>\$7,847,980</u>



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**(9) Investments accounted for using the equity method**

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

Investee	As of			
	December 31, 2019		December 31, 2018	
	NTD	Percentage of Ownership (%)	NTD	Percentage of Ownership (%)
<u>Investments in associates</u>				
Mai-Liao Power Corporation	\$11,051,494	24.94	\$11,164,325	24.94
Yi-Chi Construction Corporation	89,751	40.55	89,396	40.55
Mailiao Harbor Administration Corporation	2,452,177	44.96	2,375,960	44.96
Formosa Development Corporation	759,060	45.99	797,630	45.99
Formosa Marine Corporation	103,296	20.00	73,928	20.00
Simosa Oil corporation	534,744	20.00	486,284	20.00
Formosa Environmental Technology Corporation	225,692	24.34	225,861	24.34
Formosa Plastics Synthetic Rubber	292,606	33.33	253,916	33.33
Formosa Plastics Synthetic Rubber (HK)	2,249,179	32.53	2,517,381	32.53
Whale Home International Corp.	227,566	69.49	218,170	66.92
TMS Corp.	48,288	49.00	47,307	49.00
Formolight Technologies, Inc.	56,765	39.43	63,272	39.43
Formosa Resources Corporation	6,615,934	25.00	5,370,047	25.00
Formosa Group (Cayman) Limited	653,576	25.00	631,060	25.00
Subtotal	25,360,128		24,314,537	
<u>Investments in jointly controlled entities</u>				
Caltex Taiwan Corporation	87,880	50.00	99,251	50.00
Neumin Oil and Gas, LLC.	-	-	20,162	50.00
Formosa Kraton Chemical Co., Ltd.	1,125,698	50.00	982,213	50.00
Idemitsu Formosa Specialty Chemicals Corp.	579,805	50.00	627,463	50.00
Formosa Falkor Engineering Corporation	7,516	50.00	9,920	50.00
NKFG	658,063	50.00	2,479	100.00
Subtotal	2,458,962		1,741,488	
Total	\$27,819,090		\$26,056,025	

**A. Investments in associates**

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Net income (loss)	\$854,530	\$361,462
Other comprehensive income (loss), net	(1,050,781)	(538,005)
Comprehensive income (loss) for the period	\$(196,251)	\$(176,543)

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

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- (c) During October of 2018, Formosa Plastics Synthetic Rubber (HK) 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 wrote off capital surplus and investments accounted for using equity method by NT\$36,153 thousand.

**B. Investments in joint venture entities of the Group.**

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Net income	\$(29,042)	\$106,475
Other comprehensive income, net	-	-
Comprehensive income for the period	\$(29,042)	\$106,475

- (b) 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 venture had no contingent liability, committed capital or provided guarantee on December 31, 2019 and 2018. The joint venture could not distribute profits before obtaining all partners' consent.

The above-mentioned investment under the equity method amounted to NT\$5,219,534 thousand and NT\$5,253,580 thousand as of December 31, 2019 and 2018, respectively. The related share of profit or loss of associates and joint ventures accounted for using the equity method amounted to NT\$59,072 thousand and NT\$135,284 thousand for the years ended December 31, 2019 and 2018, respectively. The share of other comprehensive income of associates and joint ventures accounted for using the equity method amounted to NT\$(107,865) thousand and NT\$(32,883) thousand for the years ended December 31, 2019 and 2018, respectively. The financial statements of these investee were unreviewed.

- D. Whale Home International Corp. 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 in July 2018. The Group was the sole owner of NKFG initially. According to the investment agreement, NKFG has received capital injection on September 20, 2019. The Group and the other investor of NKFG both have 50% of ownership, therefore, NKFG is essentially a joint venture rather than a consolidated entity.

- F. Long-term equity investments are not pledged as collaterals for bank loans as of December 31, 2019 and 2018.

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### (10) Property, plant and equipment

The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16. 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	Lease assets (Note)	Leasehold Improvement	Construction in progress	Total
Cost									
2019.1.1	\$26,646,165	\$44,362,688	\$353,894,819	\$4,034,412	\$948,689		\$325,432	\$11,007,482	\$441,219,687
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	<u>\$26,643,779</u>	<u>\$44,758,082</u>	<u>\$362,524,280</u>	<u>\$4,254,619</u>	<u>\$882,516</u>		<u>\$330,043</u>	<u>\$8,849,866</u>	<u>\$448,243,185</u>
2018.1.1	\$22,114,812	\$43,177,508	\$349,827,530	\$3,890,223	\$868,463	\$2,909,571	\$348,026	\$8,625,393	\$431,761,526
Additions	4,438,314	1,031,698	47,058	202,853	39,072	-	-	6,621,956	12,380,951
Transfer	-	153,899	4,132,754	13,368	107,796	-	2,010	(4,267,059)	142,768
Disposals	-	(417)	(112,523)	(72,388)	(66,642)	-	(24,604)	-	(276,574)
Exchange differences	93,039	-	-	356	-	86,269	-	27,192	206,856
2018.12.31	<u>\$26,646,165</u>	<u>\$44,362,688</u>	<u>\$353,894,819</u>	<u>\$4,034,412</u>	<u>\$948,689</u>	<u>\$2,995,840</u>	<u>\$325,432</u>	<u>\$11,007,482</u>	<u>\$444,215,527</u>
Depreciation and impairment:									
2019.1.1	\$-	\$26,298,329	\$305,042,793	\$3,206,494	\$635,019		\$268,142	\$-	\$335,450,777
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	<u>\$-</u>	<u>\$28,156,243</u>	<u>\$313,633,716</u>	<u>\$3,384,659</u>	<u>\$569,285</u>		<u>\$268,634</u>	<u>\$-</u>	<u>\$346,012,537</u>
2018.1.1	\$-	\$24,469,525	\$294,263,157	\$3,071,651	\$656,222	\$1,163,829	\$278,844	\$-	\$323,903,228
Depreciation	-	1,829,051	10,876,128	206,571	45,439	196,184	13,889	-	13,167,262
Disposals	-	(247)	(96,070)	(72,184)	(66,642)	-	(24,591)	-	(259,734)
Transfer	-	-	(422)	422	-	-	-	-	-
Exchange differences	-	-	-	34	-	38,046	-	-	38,080
2018.12.31	<u>\$-</u>	<u>\$26,298,329</u>	<u>\$305,042,793</u>	<u>\$3,206,494</u>	<u>\$635,019</u>	<u>\$1,398,059</u>	<u>\$268,142</u>	<u>\$-</u>	<u>\$336,848,836</u>
Net carrying amount as of:									
2019.12.31	<u>\$26,643,779</u>	<u>\$16,601,839</u>	<u>\$48,890,564</u>	<u>\$869,960</u>	<u>\$313,231</u>	<u>\$-</u>	<u>\$61,409</u>	<u>\$8,849,866</u>	<u>\$102,230,648</u>
2018.12.31	<u>\$26,646,165</u>	<u>\$18,064,359</u>	<u>\$48,852,026</u>	<u>\$827,918</u>	<u>\$313,670</u>	<u>\$1,597,781</u>	<u>\$57,290</u>	<u>\$11,007,482</u>	<u>\$107,366,691</u>

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Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

Item	For the year ended December 31, 2019	For the year ended December 31, 2018
Construction in progress	\$1,663	\$2,354
Capitalization rate of borrowing costs	1.20%~3.00%	1.59%~3.03%

A. Please refer to Note 8 for details of the property, plant and equipment pledged as collaterals.

B. Interest expenses before capitalization were NT\$593,213 thousand and NT\$692,597 thousand for the years ended December 31, 2019 and 2018, respectively.

**(11) Investment property and other non-current assets**

A. Investment property :

	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
	2018.1.1	Additions	Disposals	2018.12.31
Land:				
Cost	\$1,051,556	\$-	\$(104,738)	\$946,818
	2018.1.1	Impairment	Disposals	2018.12.31
Land:				
Accumulated impairment	\$588,008	\$42,046	\$(57,317)	\$572,737
	2018.1.1			2018.12.31
Land:				
Net carrying amount as of	\$463,548			\$374,081

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- (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\$366,244 thousand and NT\$374,081 thousand as of December 31, 2019 and December 31, 2018, 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,	December 31,
	2019	2018
	NTD	NTD
Refundable deposits	\$406,713	\$714,438
Other assets	1,234,110	772,798
Prepaid expense — land and equipment	4,074,965	3,887,919
Advance	110,766	97,545
Unamortized expense	1,237,563	1,430,611
Other assets — land	9,823	9,823
Prepaid expense — repairs and maintenance	1,859,106	1,130,112
Total	<u>\$8,933,046</u>	<u>\$8,043,246</u>

As of December 31, 2019 and 2018, 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.

**(12) Short-term loans and short-term notes and bills payable**

	Interest Rate	As of	
		December 31,	December 31,
		2019	2018
		NTD	NTD
Purchase loans	0.850%~1.200%	\$68,255	\$552,502
Others	1.07%	239,132	207,369
Total		<u>\$307,387</u>	<u>\$759,871</u>

A. The Group's unused short-term lines of credits amounted to NT\$28,381,915 thousand, and NT\$2,947,498 thousand as of December 31, 2019 and 2018, respectively.

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

**(13) Bonds payable**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Domestic unsecured unconvertible bonds	\$17,900,000	\$14,450,000
Less: current portion	(3,200,000)	(7,650,000)
Long-term bonds payable	<u>\$14,700,000</u>	<u>\$6,800,000</u>

As of December 31, 2019, the terms of the domestic bonds were as follows:

Domestic unsecured unconvertible bonds

Item	Unsecured Bonds No.33	Unsecured Bonds No.34	Unsecured Bonds No.35		Unsecured Bonds No.36		
Type of bonds	Bond B	Bond B	Bond B	Bond C	Bond A	Bond B	Bond C
Issue date	2013.3.12	2013.06.26	2014.9.12	2014.9.12	2019.7.24	2019.7.24	2019.7.24
Principal amount	2,000,000	4,400,000	2,200,000	1,400,000	4,500,000	4,500,000	2,100,000
Ending balance	1,000,000	2,200,000	2,200,000	1,400,000	4,500,000	4,500,000	2,100,000
Face value	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
Maturity	7 years	7 years	10 years	12 years	5 years	7 years	10 years
Coupon rate	Fixed rate 1.37%	Fixed rate 1.41%	Fixed rate 1.90%	Fixed rate 1.99%	Fixed rate 0.72%	Fixed rate 0.78%	Fixed rate 0.87%
Interest payment	Annually	Annually	Annually	Annually	Annually	Annually	Annually
Repayment	Repay 50% of the principal at the end of the 6 <sup>th</sup> and 7 <sup>th</sup> year	Repay 50% of the principal at the end of the 6 <sup>th</sup> and 7 <sup>th</sup> year	Repay 50% of the principal at the end of the 9 <sup>th</sup> and 10 <sup>th</sup> year	Repay 50% of the principal at the end of the 11 <sup>th</sup> and 12 <sup>th</sup> year	Repay 50% of the principal at the end of the 4 <sup>th</sup> and 5 <sup>th</sup> year	Repay 50% of the principal at the end of the 6 <sup>th</sup> and 7 <sup>th</sup> year	Repay 50% of the principal at the end of the 9 <sup>th</sup> and 10 <sup>th</sup> year
Conversion exchange or stock warrants	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. 1010059946, January 7, 2013	Financial Supervisory Commission approved document No. 1020011470, April 11, 2013	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

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**(14) 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, 2019 and 2018, the expenses related to defined contribution plan amounted to NT\$269,547 thousand and NT\$255,541 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, 2019, the amount of contribution expected to be made in the following accounting year is NT\$53,618 thousand.

As at December 31, 2019 and 2018, 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, 2019 and 2018 are summarized as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Current period service cost	\$47,132	\$47,419
Net interest on the net defined benefit liability (asset)	57,747	55,348
Subtotal	\$104,879	\$102,767

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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, 2019	December 31, 2018
Present value of defined benefit obligation	\$5,821,512	\$5,487,330
Fair value of plan assets	(901,515)	(827,152)
Other non-current liabilities — Accrued pension liabilities recognized on the balance sheets	\$4,919,997	\$4,660,178

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2018.01.01	\$5,250,798	\$(771,665)	\$4,479,133
Current service cost	47,419	-	47,419
Interest expense (income)	65,635	(10,287)	55,348
Subtotal	5,363,852	(781,952)	4,581,900
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in financial assumptions	8,534	-	8,534
Experience adjustment	147,488	-	147,488
Return on plan assets	-	(20,202)	(20,202)
Subtotal	156,022	(20,202)	135,820
Payments from the plan	(61,351)	55,627	(5,724)
Contributions by employer	-	(80,625)	(80,625)
Net liabilities (assets) transferred from associates	28,807	-	28,807
2018.12.31	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
Return 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



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

	December 31, 2019	December 31, 2018
Discount rate	1.00%	1.25%
Expected rate of salary increases	2.85%	2.85%

A sensitivity analysis for significant assumption as at December 31, 2019 and 2018 is, as shown below:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate	\$-	\$(196,858)	\$-	\$(203,487)
increase by 0.25%				
Discount rate	205,950	-	213,532	-
decrease by 0.25%				
Future salary	862,812	-	900,569	-
increase by 1.0%				
Future salary	-	(735,827)	-	(758,425)
decrease by 1.0%				

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.

## **(15) 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, 2019 and 2018, respectively. Each share has one vote and the right to receive dividends.

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B. Capital surplus

	As of	
	December 31,	December 31,
	2019	2018
	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	153,141	139,488
Subsidiary change in equity	2,994	2,994
Others	529	231
Total	<u>\$31,399,948</u>	<u>\$31,385,997</u>

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.

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
- (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 drafted by the board of directors under the ordinary 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.

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For the years ended December 31, 2019 and 2018, the details of earnings distribution and dividends per share as proposed by the board meeting on March 9, 2020 and resolved by the shareholder's meeting on May 31, 2019, were as follows:

	Appropriation of earnings		Dividend per share	
	2019	2018	2019	2018
Legal reserve	\$3,679,821	\$6,009,022		
Common stock — cash dividend	27,625,283	45,724,607	\$2.90	\$4.80
Total	<u>\$31,305,104</u>	<u>\$51,733,629</u>		

Please refer to Note 6.19 for details of bonus to employees.

**D. Non-controlling interests**

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Beginning balance	\$2,917,972	\$2,859,884
Effects of retrospective application and retrospective restatement	-	(300)
Balance as of January 1, 2018 after adjustment	<u>2,917,972</u>	<u>2,859,584</u>
Cash dividends distributed	(2,143)	(4,810)
Net income attributed to the non-controlling interest	(50,040)	(19,394)
Other comprehensive income attributed to the non-controlling interest:		
Remeasurements of defined benefit plans	(634)	(1,101)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	75
Exchange differences resulting from translating the financial statements of a foreign operation	(82,088)	83,292
Income tax (benefit) expense relating to items that will not be reclassified	126	326
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	<u>995,751</u>	<u>-</u>
Ending balance	<u>\$3,778,944</u>	<u>\$2,917,972</u>

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**(16) Operating revenues**

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Sales revenue		
Gasoline	\$93,059,541	\$107,289,559
Petrochemical products (ethylene and propylene, etc.)	172,076,920	220,775,605
Diesel oil	171,679,505	186,685,740
Jet fuel	41,842,167	46,289,767
Electricity	23,501,938	25,129,071
Steam	13,814,597	15,270,260
Others	129,097,482	165,057,382
Subtotal	645,072,150	766,497,384
Service revenues	950,659	1,052,834
Total	<u>\$646,022,809</u>	<u>\$767,550,218</u>

Analysis of revenue from contracts with customers during the year is as follows:

**(1) Disaggregation of revenue**

For the year ended December 31, 2019

	Petrochemical Division	Utility Division	Others	Total
Sales				
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	<u>\$589,545,961</u>	<u>\$38,531,670</u>	<u>\$17,945,178</u>	<u>\$646,022,809</u>

Revenue recognition point:

At a point in time	<u>\$589,545,961</u>	<u>\$38,531,670</u>	<u>\$17,945,178</u>	<u>\$646,022,809</u>
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For the year ended December 31, 2018

	Petrochemical Division	Utility Division	Others	Total
Sales				
Gasoline	\$94,715,875	\$-	\$12,573,684	\$107,289,559
Petrochemical products (ethylene and propylene, etc.)	220,775,605	-	-	220,775,605
Diesel oil	182,225,259	-	4,460,481	186,685,740
Jet fuel	46,289,767	-	-	46,289,767
Electricity	-	25,129,071	-	25,129,071
Steam	-	15,270,260	-	15,270,260
Others	163,574,261	1,241,908	241,213	165,057,382
Subtotal	707,580,767	41,641,239	17,275,378	766,497,384
Service revenues	48,676	-	1,004,158	1,052,834
Total	<u>\$707,629,443</u>	<u>\$41,641,239</u>	<u>\$18,279,536</u>	<u>\$767,550,218</u>

Revenue recognition point:

At a point in time	<u>\$707,629,443</u>	<u>\$41,641,239</u>	<u>\$18,279,536</u>	<u>\$767,550,218</u>
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(2) Contract balances

Contract liabilities — current

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Sales of goods	<u>\$52,014</u>	<u>\$274,843</u>	<u>\$98,263</u>

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2019 and 2018 are as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Revenue recognized during the year that was included in the balance at the beginning of the year	<u>\$274,843</u>	<u>\$98,263</u>

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(3) Transaction price allocated to unsatisfied performance obligations

The Group's contracts are all shorter than one year, there is not to provide information on outstanding performance obligations.

(4) Assets recognized from costs to fulfil a contract

None.

**(17) Expected credit losses/ (gains)**

	For the year ended December 31, 2019	For the year ended December 31, 2018
Operating expenses — Expected credit losses/ (gains)		
Accounts receivable	<u>\$(64,620)</u>	<u>\$(24,913)</u>

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, 2019 and 2018 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, 2019 and 2018.
- 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, 2019	Past due					Total
	Neither past due	Within 30 days	31-60 days	61-90 days	Over 90 days	
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	<u>\$46,660,202</u>	<u>\$594,556</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$47,254,758</u>

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As at December 31, 2018	Past due					Total
	Neither past due	Within 30 days	31-60 days	61-90 days	Over 90 days	
Gross carrying amount	\$52,100,908	\$2,274,583	\$-	\$-	\$44,504	\$54,419,995
Loss ratio	1%	1%	-	-	100%	
Lifetime expected credit losses	537,662	22,746	-	-	44,504	604,912
Total	\$51,563,246	\$2,251,837	\$-	\$-	\$-	\$53,815,083

For the year ended December 31, 2019 and 2018, the movement in the provision for impairment of notes receivable and accounts receivable is as follows:

	Receivables
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
Balance as at January 1, 2018 (in accordance with IAS 39)	\$629,825
Transition adjustment to retained earnings as at January 1, 2018	-
Beginning balance (in accordance with IFRS 9)	629,825
Addition/(reversal) for the current period	(24,913)
Balance as at December 31, 2018	\$604,912

**(18) Lease**

**(1) Group as lessee (applicable to the disclosure requirement in IFRS 16)**

The Group has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of more than one to twenty years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

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**



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(a) Right-of-use asset

The carrying amount of right-of-use asset

	As of	
	December 31,	December 31,
	2019	2018(Note)
	NTD	NTD
Land	\$40,072	
Buildings	99,067	
Machinery and equipment	2,666	
Transportation equipment	3,308,736	
Gas station	3,502,363	
Total	<u>\$6,952,904</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

(b) Lease liability

	As of	
	December 31,	December 31,
	2019	2018(Note)
	NTD	NTD
Lease liability	<u>\$7,165,101</u>	
Current	\$1,041,408	
Non-current	6,123,693	

Please refer to Note 6 (20)(c) for the interest on lease liability recognized for the year ended December 31, 2019, and besides, refer to Note 12 (5) for the maturity analysis for lease liabilities at December 31, 2019.

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Amounts recognized in the statement of profit or loss

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Depreciation charge for right-of-use assets

	For the year ended December 31, 2019	For the year ended December 31, 2018(Note)
Land	\$10,199	
Buildings	27,152	
Machinery and equipment	2,666	
Transportation equipment	466,549	
Gas station	609,239	
Total	<u>\$1,115,805</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Income and costs relating to leasing activities

	For the year ended December 31, 2019	For the year ended December 31, 2018(Note)
The expense relating to short-term leases	<u>\$248,083</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

The Group has no committed short-term lease combination for the year ended December 31, 2019.

D. Cash outflow relating to leasing activities

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

E. Other information relating to leasing activities

None.

(2) Operating lease commitments - Group as lessee (applicable to the disclosure requirement in IAS 17)

The Group has entered into commercial leases on certain land and Buildings. These leases have an average life of one to twenty years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

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Future minimum rentals payable under non-cancellable operating leases as at December 31, 2019 and 2018 are as follows:

	As of	
	December 31, 2019 (Note)	December 31, 2018
Not later than one year		\$1,163,742
Later than one year and not later than five years		3,776,802
Later than five years		2,292,993
Total		<u>\$7,233,537</u>

Operating lease expenses recognized are as follows:

	For the year ended December 31, 2019 (Note)	For the year ended December 31, 2018
Minimum lease payments		<u>\$1,220,400</u>

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(3) Group as lessor (applicable to the disclosure requirement in IFRS 16)

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, 2019	For the year ended December 31, 2018 (Note)
Lease income for finance leases		
Finance income on the net investment in the lease	<u>\$153,384</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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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, 2019 are as follow:

	As of	
	December 31, 2019	December 31, 2018(Note)
Not later than one year	\$433,765	
Later than one year but not later than two years	432,621	
Later than two years but not later than three years	432,620	
Later than three years but not later than four years	432,620	
Later than four years but not later than five years	433,765	
Later than five years	1,996,757	
Total undiscounted lease payments	4,162,148	
Less: Unearned finance income to finance leases	(617,545)	
Net investment in the lease (Finance lease receivables)	\$3,544,603	
Current	\$293,451	
Non-current	3,251,152	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

- (4) Operating lease commitments - Group as lessor (applicable to the disclosure requirement in IAS 17)

According to the non-cancellable ship finance lease contract, please refer to Note 6(6).

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

Function Description	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)
Employee benefits expense	\$5,086,787	\$3,510,649	\$8,597,436	\$5,347,519	\$3,544,265	\$8,891,784
Salaries and wages	4,399,622	3,083,574	7,483,196	4,671,064	3,137,469	7,808,533
Labor and health insurance	324,015	218,300	542,315	317,608	205,679	523,287
Pension	235,424	139,002	374,426	227,576	130,732	358,308
Other employee benefits expense	127,726	69,773	197,499	131,271	70,385	201,656
Depreciation and depletion	11,057,968	1,034,673	12,092,641	12,350,474	868,059	13,218,533
Amortization	1,494,702	105,114	1,599,816	1,817,660	125,907	1,943,567

The amortization recognized as non-operating income and expenses are NT\$4,859 thousand and NT\$8,065 thousand for the years ended December 31, 2019 and 2018, 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\$8,982 thousand, estimated as 0.02% of the Company's net profit and recognized as employee's compensation for the year ended December 31, 2019.

The Company's the board of director's meeting on March 11, 2019, resolved to distribute NT\$14,905 thousand of employee compensation in cash, which was reported at the shareholders' meeting on May 31, 2019. No difference existed between the employee compensation distributed and disclosed in the financial statements of 2018.

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**(20) Non-operating income and expenses**

A. Other income

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Rental income	\$1,153,994	\$1,189,158
Interest income		
Bank interest income	288,053	338,960
Interest income — due from affiliates	225,424	346,958
Interest income — financial leasing	153,384	158,584
Other interest income	35,176	47,474
Subtotal	702,037	891,976
Others	865,524	899,992
Dividends income	4,464,038	3,325,548
Total	\$7,185,593	\$6,306,674

B. Other gains and losses

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Gains (losses) on disposal and abandon of property, plant and equipment	\$44,676	\$(4,642)
Gains (losses) on disposal of investment property	-	5,908
Gains (losses) on disposal of investment	7,043	-
Foreign exchange gains (losses), net	818,983	2,010,567
Impairment loss		
Investment property	(7,837)	(42,046)
Exploration and evaluation assets (natural resources)	(13,172)	(5,872)
Other gains (losses) — others	(183,634)	(190,599)
Gains (losses) on financial assets at fair value through profit or loss (Note)	27,105	220,105
Total	\$693,164	\$1,993,421

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

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C. Financial costs

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Interest on borrowings from bank	\$5,865	\$118,576
Interest on bonds payable	206,147	286,954
Interbank loans with interest	52,506	54,488
Interest for lease liabilities	160,803	(Note)
Interest for finance leases	(Note)	40,476
Other interest expenses	166,229	189,749
Total financial costs	<u>\$591,550</u>	<u>\$690,243</u>

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

**(21) Components of other comprehensive income**

For the year ended December 31, 2019

	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	<u>\$1,298,814</u>	<u>\$(10,174)</u>	<u>\$1,288,640</u>	<u>\$(26,060)</u>	<u>\$1,314,700</u>

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For the year ended December 31, 2018

		Reclassification	Other	Income tax relating	Other
	Arising during	adjustments	comprehensive	to components of	comprehensive
	the period	during the period	income, before tax	other comprehensive	income, net of tax
				income	
Items that will not be reclassified to					
profit or loss:					
Remeasurements of defined benefit					
plans	\$(135,820)	\$-	\$(135,820)	\$(60,612)	\$(75,208)
Unrealized gains (losses) from					
equity instruments investments					
measured at fair value through					
other comprehensive income	(10,033,920)	-	(10,033,920)	-	(10,033,920)
Share of other comprehensive					
income of associates and joint					
ventures accounted for using the					
equity method	(753,325)	-	(753,325)	-	(753,325)
Items that may be reclassified					
subsequently to profit or loss:					
Exchange differences arising from					
translation of foreign operations	762,806	-	762,806	-	762,806
Gains (losses) on hedging					
instrument	(128,188)	5,775	(122,413)	(23,274)	(99,139)
Share of other comprehensive					
income of associates and joint					
ventures accounted for using the					
equity method	215,320	-	215,320	-	215,320
Total of other comprehensive					
income	<u>\$(10,073,127)</u>	<u>\$5,775</u>	<u>\$(10,067,352)</u>	<u>\$(83,886)</u>	<u>\$(9,983,466)</u>

**(22) Income taxes**

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.



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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 31,2019	For the year ended December 31,2018
	NTD	NTD
Current income tax expense (income):		
Current income tax charge	\$6,826,626	\$15,485,452
Adjustments in respect of current income tax of prior periods	44,534	391,487
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	1,522,542	(199,721)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	(222,754)	-
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(20,770)	(535,662)
Deferred tax expense (income) relating to changes in tax rate	-	(665,274)
Total income tax expense (income)	<u>\$8,150,178</u>	<u>\$14,476,282</u>

Income tax relating to components of other comprehensive income

	For the year ended December 31,2019	For the year ended December 31,2018
	NTD	NTD
Deferred tax expense (income):		
Cash flow hedge in an effective hedge interest hedging instruments	\$17,106	\$(24,483)
Remeasurements of defined benefit plans	(43,166)	(27,164)
Deferred tax expense (income) relating to changes in tax rate	-	(32,239)
Total	<u>\$(26,060)</u>	<u>\$(83,886)</u>

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Accounting profit (loss) before tax from continuing operations	\$44,898,351	\$74,547,113
Tax at the parent company statutory income tax rate	8,979,670	14,909,422
Tax rate difference of foreign jurisdiction	(20,613)	64,155
Dividend Income	(892,079)	(664,811)
Income (loss) from equity investments	(163,365)	(178,355)
Income (loss) from securities and futures exchange	-	(6,349)
Tax effect of revenues exempt from taxation	(12,413)	(46,065)
Tax effect of non-deductible expense	1,270	23,098
Others	9,140	(376)
Tax effect of deferred tax assets/liabilities — others	(199,449)	(526,099)
Tax effect of deferred tax assets/liabilities — tax loss	(10,082)	(9,563)
Surtax on undistributed retain earnings (2019: 5%; 2018: 10%)	413,565	1,185,013
Other income tax adjustments	44,534	391,486
Deferred tax expense (income) relating to changes in tax rate	-	(665,274)
Total income tax expense (income) recognized in profit or loss	\$8,150,178	\$14,476,282

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Deferred tax assets (liabilities) relate to the following:

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	\$3,116,748	\$(769,426)	\$-	\$-	\$2,347,322
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	696,560	34,955	-	(55)	731,460
Unused tax credits	14,305	33,942	-	(1,190)	47,057
Deferred tax income (expense)		<u>\$(1,279,018)</u>	<u>\$26,060</u>	<u>\$(1,245)</u>	
Net deferred tax assets (liabilities)	<u>\$5,440,083</u>				<u>\$4,185,880</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$5,665,790</u>				<u>\$4,345,606</u>
Deferred tax liabilities	<u>\$(225,707)</u>				<u>\$(159,726)</u>

For the year ended December 31, 2018

	Beginning balance as at January 1, 2018	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, 2018
Temporary differences					
Depreciation difference for tax purpose	\$3,170,054	\$(53,306)	\$-	\$-	\$3,116,748
Useful life difference of automated equipment	(193,403)	(7,273)	-	-	(200,676)
Foreign currency assets / liabilities losses (gains)	12,690	(35,050)	-	-	(22,360)
Non-current — defined benefit liability, net	693,148	93,137	60,612	-	846,897
Inventory evaluation	222,533	749,652	-	-	972,185
Hedging derivative financial instruments sharing the same period(gains)	(6,850)	-	4,179	-	(2,671)
Hedging derivative financial instruments sharing the same period(loss)	-	-	19,095	-	19,095
Others	57,038	639,446	-	76	696,560
Unused tax credits	-	14,051	-	254	14,305
Deferred tax income (expense)		<u>\$1,400,657</u>	<u>\$83,886</u>	<u>\$330</u>	
Net deferred tax assets (liabilities)	<u>\$3,955,210</u>				<u>\$5,440,083</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$4,156,181</u>				<u>\$5,665,790</u>
Deferred tax liabilities	<u>\$(200,971)</u>				<u>\$(225,707)</u>

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

Year	Tax losses for the period	Unused tax losses as of		Expiration year
		December 31,	December 31,	
		2019	2018	
		NTD	NTD	
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	-	indefinite
FG INC.				
2018	68,406	68,406	-	indefinite
		\$824,379	\$719,378	

**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, 2019 and 2018, 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, 2019, the assessment of the income tax returns of the Company and its subsidiaries was as follows:

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

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**(23) 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, 2019	For the year ended December 31, 2018
	NTD	NTD
Basic/Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	\$36,798,213	\$60,090,225
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	\$3.86	\$6.31

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.

**(24) 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**

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
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
Whale Home International Corp.	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

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<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Formosa Resources Corporation	Associate
NKFG	Joint venture
Caltex Taiwan Corporation	Joint venture
NEUMIN OIL AND GAS, LLC.	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
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
Nan Ya Photonics Incorporation	Other
Chang Gung Medical Foundation	Other
Formosa Ha tinh (Cayman) Limited	Other
Simosa Shipping Co., Ltd.	Other

Significant transactions with the related parties

**(1) Sales**

	<u>For the year ended December 31, 2019</u>	<u>For the year ended December 31, 2018</u>
	<u>NTD</u>	<u>NTD</u>
Entity with joint control or significant influence over the Company		
Formosa Chemicals & Fibre Corporation	\$100,365,621	\$151,546,891
Formosa Plastics Corporation	89,392,189	108,251,482
Nan Ya Plastics Corporation	36,668,046	47,292,085
Subtotal	<u>226,425,856</u>	<u>307,090,458</u>
Associate	7,105,439	5,954,269
Joint venture	9,314,011	9,884,086
Others	42,002,281	43,850,357
Total	<u>\$284,847,587</u>	<u>\$366,779,170</u>

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.

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**(2) Purchase**

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Entity with joint control or significant influence over the Company	\$24,032,183	\$39,018,537
Joint venture	208	-
Others	697,295	736,433
Total	<u>\$24,729,686</u>	<u>\$39,754,970</u>

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, 2019	December 31, 2018
	NTD	NTD
Others		
National Petroleum Co., Ltd.	\$1,763,612	\$1,722,460
Total	1,763,612	1,722,460
Less: loss allowance	-	-
Net	<u>\$1,763,612</u>	<u>\$1,722,460</u>

**(4) Accounts receivable – related parties**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Entity with joint control or significant influence over the Company		
Formosa Chemicals & Fibre Corporation	\$8,539,956	\$11,687,951
Formosa Plastics Corporation	7,535,639	8,653,783
Nan Ya Plastics Corporation	2,831,620	3,485,652
Subtotal	<u>18,907,215</u>	<u>23,827,386</u>
Associate	457,005	427,334
Joint venture	731,708	827,423
Others	3,383,978	3,333,606
Total	<u>23,479,906</u>	<u>28,415,749</u>
Less: loss allowance	-	-
Net	<u>\$23,479,906</u>	<u>\$28,415,749</u>

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**(5) Accounts payable – related parties**

	As of	
	December 31,	December 31,
	2019	2018
	NTD	NTD
Entity with joint control or significant influence over the Company		
Formosa Chemicals & Fibre Corporation	\$1,187,616	\$2,373,456
Others	587,891	587,747
Subtotal	1,775,507	2,961,203
Associate	7,264	76,012
Joint venture	5,658	51,458
Others	63,569	53,877
Total	\$1,851,998	\$3,142,550

**(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	For the year ended
		December 31, 2019	December 31, 2018
		NTD	NTD
Entity with joint control or significant influence over the Company	Maintenance	\$233,604	\$111,917
Entity with joint control or significant influence over the Company	Expansion of facilities	39,532	42,289
Others	Maintenance	291,412	329,939
Others	Expansion of facilities	999,809	581,885
Total		\$1,564,357	\$1,066,030

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.



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**(7) Financing**

Other receivables – due from affiliates

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Associate		
Others	\$501,700	\$507,700
Others		
Formosa Heavy Industries Corporation	4,000,000	4,990,000
Total	<u>\$4,501,700</u>	<u>\$5,497,700</u>

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, 2019 and 2018, interest receivables from related parties were NT\$63,142 thousand and NT\$205,024 thousand, respectively. And interest charged at the rate of 1.414%~1.418% and 1.408%~1.414%, 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, 2019		December 31, 2018	
	Amount		Amount	
	NTD	%	NTD	%
Entity with joint control or significant influence over the Company	\$22,621	0.16	\$15,434	0.10
Associate	36,851	0.27	26,429	0.17
Joint venture	13,531	0.10	6,651	0.04
Others	50,431	0.37	35,270	0.23
Total	<u>\$123,434</u>	<u>0.90</u>	<u>\$83,784</u>	<u>0.54</u>

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

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B. Other payables

	As of			
	December 31, 2019		December 31, 2018	
	Amount		Amount	
	NTD	%	NTD	%
Associate	\$21,086	0.14	\$21,249	0.16
Joint venture	-	-	2,986	0.03
Others	246,261	1.64	705,428	5.39
Total	<u>\$267,347</u>	<u>1.78</u>	<u>\$729,663</u>	<u>5.58</u>

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 (applicable to the disclosure requirement in IFRS 16)

(a) Right-of-use asset

The carrying amount of right-of-use asset

	As of	
	December 31, 2019	December 31, 2018(Note)
	NTD	NTD
Entity with joint control or significant influence over the Company	\$3,791	
Associate	231,504	
Others	<u>3,308,736</u>	
Total	<u>\$3,544,031</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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(b) Lease liability

	As of	
	December 31,	December 31,
	2019	2018(Note)
	NTD	NTD
Entity with joint control or significant influence over the Company	\$3,823	
Associate	233,628	
Others	3,531,061	
Total	<u>\$3,768,512</u>	
Current	\$500,443	
Non-current	3,268,069	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(c) Interest for lease liabilities

	For the year ended	For the year ended
	December 31,	December 31,
	2019	2018(Note)
	NTD	NTD
Entity with joint control or significant influence over the Company	\$90	
Associate	4,778	
Others	82,900	
Total	<u>\$87,768</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(d) The expense relating to short-term leases

	For the year ended	For the year ended
	December 31,	December 31,
	2019	2018(Note)
	NTD	NTD
Entity with joint control or significant influence over the Company	<u>\$53,279</u>	

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Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

**B. Group as a lessee (applicable to the disclosure requirement in IAS 17)**

**(a) Capital lease**

Simosa Shipping Co. Ltd. leased vessel and equipment to the Company. 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 Company. As the contract was amended in January 2014, the Group recalculates the present value of the minimum lease payment. The detail of reconciliations of lease obligation is as follows:

	As of		
	December 31, 2019(Note)	December 31, 2018	
	Present value of payment	Present value of payment	
	NTD	NTD	NTD
Not later than one year		\$246,786	\$210,021
Later than one year and not later than five years		987,820	887,169
Later than five years		741,034	717,128
Total minimum lease payments		1,975,640	1,814,318
Less: finance charges on finance lease		(161,322)	-
Present value of minimum lease payments		<u>\$1,814,318</u>	<u>\$1,814,318</u>

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

**(b) Rental expenses**

Details of the office premises leased from related parties are as follows:

	For the year ended December 31, 2019 (Note)		For the year ended December 31, 2018	
	Amount	%	Amount	%
	NTD		NTD	
Entity with joint control or significant influence over the Company			<u>\$53,279</u>	<u>5.69</u>

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Rents of the office premises leased from related parties are based on the local standard and are payable semi-annually.

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

### **C. Group as a lessor (applicable to the disclosure requirement in IFRS 16)**

#### **(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, 2019	For the year ended December 31, 2018 (Note)
	NTD	NTD
Entity with joint control or significant influence over the Company	\$164,835	
Associate	16,387	
Joint venture	32,485	
Others	1,875	
Total	<u>\$215,582</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

#### **(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, 2019	For the year ended December 31, 2018 (Note)
	NTD	NTD
Joint venture	<u>\$2,322</u>	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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D. Group as a lessor (applicable to the disclosure requirement in IAS 17)

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

	For the year ended		For the year ended	
	December 31,		December 31,	
	2019 (Note)		2018	
	Amount	%	Amount	%
	NTD		NTD	
Entity with joint control or significant influence over the Company			\$171,801	14.44
Associate			16,387	1.38
Joint venture			33,030	2.78
Total			<u>\$221,218</u>	<u>18.60</u>

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

**(10) Other related party transactions**

A. Use of labor

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

		For the year ended	For the year ended
		December 31, 2019	December 31, 2018
	Items	NTD	NTD
Associates	Harbor labor force	\$1,665,479	\$1,701,064
Joint venture	Refuel, labor force	80,095	130,065
Others	Labor force	1,623	1,720
Total		<u>\$1,747,197</u>	<u>\$1,832,849</u>

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

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B. Notes endorsements and guarantees

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Associates	\$10,762,895	\$22,511,923
Joint venture	1,235,000	2,750,000
Subsidiary	-	40,000
Others	20,753,559	15,915,686
Total	\$32,751,454	\$41,217,609

C. Property transactions

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

	For the year ended		For the year ended	
	December 31, 2019		December 31, 2018	
	Consideration	Gain / Loss	Consideration	Gain / Loss
Entity with joint control or significant influence over the Company	\$-	\$-	\$95	\$95
Associates	60,225	30,493	-	-
Total	\$60,225	\$30,493	\$95	\$95

**(11) Key management personnel compensation**

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Short-term employee benefits	\$113,611	\$115,801

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**8. PLEDGED ASSETS**

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

Pledged Assets	Contents	As of	
		December 31, 2019	December 31, 2018
		NTD	NTD
Financial assets at fair value through other comprehensive income – current	Stock of Nan Ya Plastics Corporation	\$5,904,080	\$6,254,873
Financial assets at fair value through other comprehensive income – current	Stock of Formosa Chemicals & Fibre Corporation	-	3,780
Subtotal		5,904,080	6,258,653
Other current assets	Certificates of time deposit	226,404	199,211
Property, plant and equipment, net	Land	-	19,118,886
	Machinery and equipment	-	5,878,052
	Other equipment	-	145,467
Subtotal		-	25,142,405
Total		\$6,130,484	\$31,600,269

**9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES**

As of December 31, 2019, the Company and subsidiaries' commitments and contingent liabilities were as follows:

- (1) Finance lease commitments: Please refer to related Note 7.9.B.(a).
- (2) Guarantee notes received from counterparties as collateral for payment, construction completion commitment and others for operational needs were NT\$587,080 thousand.
- (3) Guarantee notes issued for borrowings (financing) were NT\$154,829,654 thousand.
- (4) The unutilized portion of letters of credit issued by banks for importing raw materials was NT\$6,909,862 thousand.



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- (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% through its joint venture Formosa Petrochemical International (Cayman) Limited. Due to the funding demand of Formosa Ha Tinh (Cayman) Limited's investee Formosa Ha Tinh Steel Corporation, Formosa Ha Tinh (Cayman) Limited applied 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 applied 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.
- (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.

### **10. SIGNIFICANT DISASTER LOSSES**

None.

### **11. SIGNIFICANT SUBSEQUENT EVENTS**

- (1) Considering the demands of future development, the Company's subsidiary FG INC. plans to increase capital by US\$43 million. According to the capital increase plan, the Company is going to proportionally increase its investment in FG INC. by US\$24.51 million, raising the investment amount from US\$210.9 million to US\$235.41 million.
- (2) In accordance with the Guidance of Economic Substance for Geographically Mobile Activities of BVI, the Company plans to adjust the investment structure of the subsidiary "FPCC Marine Corporation". The subsidiary will transfer each three vessel assets to newly established Liberian Corporations to run the vessel leasing business. Furthermore, the Company will dissolve "FPCC Marine Corporation".
- (3) To raise the long-term capital for investing domestic and overseas business, paying off the debt and increasing operating capital, the Company plans to issue unsecured unconvertible corporate bonds NT\$15 billion.

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**12. OTHERS**

**(1) Categories of financial instruments**

	As of	
	December 31,	December 31,
Financial Assets	2019	2018
	NTD	NTD
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$4,043,969	\$4,016,864
Financial assets at fair value through other comprehensive income	76,062,696	73,356,267
Cash and cash equivalents (excluding cash on hand)	31,672,874	37,748,523
Notes and accounts receivable, net (including related party)	47,254,758	53,815,083
Lease receivables	(Note)	3,707,823
Financing lease receivables	3,544,603	(Note)
Other receivables	13,775,919	15,522,723
Subtotal	96,248,154	110,794,152
Financial assets for hedging	3,410	13,353
Total	\$176,358,229	\$188,180,636

	As of	
	December 31,	December 31,
Financial Liabilities	2019	2018
	NTD	NTD
Financial liabilities at amortized cost:		
Short-term borrowings	\$307,387	\$759,871
Notes and accounts payables (including related party)	13,383,408	20,323,669
Bonds payable (including current portion)	17,900,000	14,450,000
Lease liabilities	7,165,101	(Note)
Lease payable	(Note)	1,814,318
Subtotal	38,755,896	37,347,858
Financial liabilities for hedging	-	95,472
Total	\$38,755,896	\$37,443,330

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Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

### **(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 activities. 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.

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. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. 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:

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When NTD appreciate/depreciate against US dollars by NT\$1, the profit decreases/ increases by NT\$336,854 thousand and NT\$648,816 thousand for the years ended December 31, 2019 and 2018, 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\$172 thousand and NT\$1,387 thousand for the years ended December 31, 2019 and 2018, 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\$594,290 thousand and NT\$513,045 thousand for the years ended December 31, 2019 and 2018, on the profit/loss or 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, 2019 and 2018, accounts receivable from top ten customers represented 66.38% and 72.36% 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, 2019.

**(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.

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**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, 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 payable	1,190,636	1,135,393	1,105,825	1,054,886	945,126	2,425,435	7,857,301
December 31, 2018							
Borrowings	\$762,151	\$-	\$-	\$-	\$-	\$-	\$762,151
Accounts payable	20,323,669	-	-	-	-	-	20,323,669
Bonds payable	7,764,750	3,248,000	-	-	-	3,654,000	14,666,750
Lease payable	246,786	247,462	246,786	246,786	246,786	741,034	1,975,640

**Derivative financial instruments**

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2019					
Inflows	\$3,410	\$-	\$-	\$-	\$3,410
Outflows	-	-	-	-	-
Net	<u>\$3,410</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$3,410</u>
December 31, 2018					
Inflows	\$13,353	\$-	\$-	\$-	\$13,353
Outflows	(95,472)	-	-	-	(95,472)
Net	<u>\$(82,119)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(82,119)</u>

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, 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	<u>\$307,387</u>	<u>\$267,347</u>	<u>\$17,900,000</u>	<u>\$7,165,101</u>	<u>\$1,364,129</u>	<u>\$27,003,964</u>

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Reconciliations of the liabilities for the year ended December 31, 2018:

	Short-term	Other payable to related parties (including due to affiliates)	Long-term loans (including current portion)	Bonds payable (including current portion)	Lease obligations payable (current and non-current)	Increase (decrease) in other non- current liabilities	Total liabilities from financing activities
2018.1.1	\$580,066	\$201,165	\$15,896,216	\$25,700,000	\$1,961,733	\$1,384,554	\$45,723,734
Cash flows	179,805	528,498	(15,896,216)	(11,250,000)	(205,580)	7,138	(26,636,355)
Non-cash							
changes	-	-	-	-	-	(23)	(23)
Exchange							
rate changes	-	-	-	-	58,165	-	58,165
2018.12.31	<u>\$759,871</u>	<u>\$729,663</u>	<u>\$-</u>	<u>\$14,450,000</u>	<u>\$1,814,318</u>	<u>\$1,391,669</u>	<u>\$19,145,521</u>

### (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 receivables, accounts payables 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 and bonds) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including unquoted public company) are estimated using the market method valuation techniques based on parameters such as recent fund raising activities, valuation of similar companies, individual company's development, market conditions and other economic indicators.

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- (d) The fair value of bank loans, corporate bonds and lease payables 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, beneficiary certification, bonds and futures).
- (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.



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

**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

**December 31, 2018**

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$-	\$4,016,864	\$-	\$4,016,864
Financial assets at fair value through other comprehensive income				
Investments in equity instruments measured at fair value through other comprehensive income	51,304,527	-	22,051,740	73,356,267
Financial assets for hedging				
Energy commodity swap contracts	13,353	-	-	13,353
Financial liabilities:				
Financial liabilities for hedging				
Energy commodity swap contracts	\$95,472	\$-	\$-	\$95,472

**Fair value hierarchy transfer between level 1 input 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, 2019 and 2018.

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### **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
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	<u>\$16,633,662</u>
	Asset
	At fair value through other comprehensive income
	Stocks
2017.12.31	\$-
Effects of retrospective application and retrospective restatement	22,798,267
2018.1.1	22,798,267
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(2,946,281)
Acquisition	1,676,070
Disposal	(21,752)
Effects of exchange rates	545,436
2018.12.31	<u>\$22,051,740</u>

### **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:

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As at December 31, 2019:

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

As at December 31, 2018:

	Valuation	Material unobservable inputs	Quantitative information	Inputs and the fair value relationship	Inputs and the fair value relationship's sensitivity analysis value relationship
	technique				
Financial assets :					
Financial assets at					
fair value through					
other					
comprehensive					
income					
Stocks	Market	Discount for lack	10.47%~20%	The higher the discount for	10% increase (decrease) in the discount for
	approach	of marketability		lack of marketability, the	lack of marketability would result in decrease/
				lower the fair value of the	increase in the Group's equity by
				stocks	NT\$2,435,151 thousand
Stocks	Assets approach	Discount for lack	20%	The higher the discount for	10% increase (decrease) in the discount for
		of marketability		lack of marketability, the	lack of marketability would result in decrease/
				lower the fair value of the	increase in the Group's equity by NT\$47,545
				stocks	thousand

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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, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Only disclose fair value of assets:				
Investment property				
(please refer to Note 6(11))	\$-	\$-	\$366,244	\$366,244
Only disclose fair value of liabilities:				
Loans	\$-	\$307,387	\$-	\$307,387
Lease payable	-	7,165,101	-	7,165,101
Bonds payable	-	17,900,000	-	17,900,000

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Only disclose fair value of assets:				
Investment property				
(please refer to Note 6(11))	\$-	\$-	\$374,081	\$374,081
Only disclose fair value of liabilities:				
Loans	\$-	\$759,871	\$-	\$759,871
Lease payable	-	1,814,318	-	1,814,318
Bonds payable	-	14,450,000	-	14,450,000

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**(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, 2019			December 31, 2018		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	\$702,102	30.106	\$21,137,483	\$1,141,296	30.733	\$35,075,450
EUR	202	33.690	6,805	289	35.167	10,163
YEN	12,946	0.276	3,573	8,123	0.277	2,250
Long-term equity						
Investments — equity method						
USD	\$96,418	30.106	\$2,902,760	\$103,101	30.733	\$3,168,603
Financial liabilities						
Monetary items:						
USD	\$365,248	30.106	10,996,156	\$492,480	30.733	15,135,388
EUR	431	33.690	14,520	17,847	35.167	627,625
YEN	82,383	0.276	22,738	310,526	0.277	86,016

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\$818,983 thousand and NT\$2,010,567 thousand for the years ended December 31, 2019 and 2018, 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.

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**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	\$10,000,000	\$6,000,000	-	-	(2)	Need for operating	N/A	N/A	N/A	Financing to individual entity is limited to 10% of the Company's net asset	Financing to others is limited to 50% of the Company's net asset
0	The Company	Nan Ya Plastics Corporation	Other receivables from related parties	Yes	10,000,000	6,000,000	-	-	(2)	Need for operating	N/A	N/A	N/A	33,022,306 thousand; financing to related party and party with business transaction	165,111,531 thousand; financing to nonbusiness but in need for capital is limited to 40% of the
0	The Company	Formosa Chemicals & Fibre Corporation	Other receivables from related parties	Yes	10,000,000	6,000,000	-	-	(2)	Need for operating	N/A	N/A	N/A	is limited to 25% of the Company's net asset 82,555,765 thousand; financing	Company's net asset 132,089,224 thousand.
0	The Company	Formosa Marine Corporation	Other receivables from related parties	Yes	1,000,000	500,000	500,000	1.414~ 1.418	(2)	Need for operating	N/A	N/A	N/A	to others is limited to 20% of the Company's net asset 66,044,612 thousand.	
0	The Company	Formosa Plastics Marine Corporation	Other receivables from related parties	No	8,967,826	8,305,686	5,355,686	1.414~ 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	3,111,228	2,448,720	1,908,720	1.414~ 1.418	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Nan Ya Technology Corporation	Other receivables from related parties	No	1,500,000	-	-	-	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Heavy Industries Corporation	Other receivables from related parties	Yes	10,200,000	7,500,000	4,000,000	1.414~ 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	1,000,000	-	-	(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 9,10)	Other receivables from related parties	Yes	5,700,000	5,000,000	2,950,388	1.414~ 1.418	(2)	Need for operating	N/A	N/A	N/A		
					Total	\$43,004,406	\$14,714,794								

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: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

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### B. Endorsement/guarantee provided to others

No. (Note1)	Endorser/ Guarantor	Receiving Party		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	Subsidiaries	Endorsement or Guarantee for Entities in China (Note7)
		Company Name	Relationship (Note2)								Endorsed / Guaranteed for the Subsidiaries (Note7)	Endorsed/Guaranteed for the Parent Company (Note7)	
0	The Company	Formosa Oil (Asia Pacific) Corporation	(2)	\$214,644,990	\$40,000	\$-	\$-	N/A	-	The Company may provide endorsement/guarantee to others but shall not exceed 130% of its net assets. The limit is 429,289,979 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)	214,644,990	2,750,000	1,235,000	1,235,000	N/A	0.37	"	N	N	N
0	The Company	Formosa Resources Corporation	(6)	214,644,990	3,398,290	3,236,395	3,236,395	N/A	0.98	"	N	N	N
0	The Company	Formosa Group (Cayman) Limited	(6)	214,644,990	19,315,625	7,526,500	7,526,500	N/A	2.28	"	N	N	N
0	The Company	Formosa Ha Tinh (Cayman) Limited	(6)	214,644,990	21,791,720	20,753,559	20,753,559	N/A	6.28	"	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.



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(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, 2019 (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, 2019				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	\$13,199,744	2.07%	99.80	
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	13,046,810	2.26%	72.80	(Note 5)
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	4,249,663	0.83%	87.50	
The Company	Stock — National Petroleum Co., Ltd.	Others	Financial assets at fair value through other comprehensive income-current	20,000	900,000	6.47%	45.00	
The Company	Stock — Nan Ya Technology Corporation	-	Financial assets at fair value through other comprehensive income-current	334,815	27,923,605	10.89%	83.40	
The Company	Fund — Mega USD Fend-Shou Private Market Fund	-	Financial assets at fair value through profit or loss-current	12,478	4,043,969	-	324.09	
The Company	Stock — Nan Ya Photonics Inc.	Others	Financial assets at fair value through other comprehensive income-non-current	6,591	109,214	14.30%	16.57	
The Company	Stock — Asia Pacific Investment Corporation	-	Financial assets at fair value through other comprehensive income-non-current	8,950	310,386	2.11%	34.68	
The Company	Stock — Formosa Network Technology Corporation	-	Financial assets at fair value through other comprehensive income-non-current	2,925	72,959	12.50%	24.94	
The Company	Stock — Formosa Heavy Industries Corporation	Others	Financial assets at fair value through other comprehensive income-non-current	24,981	258,807	1.26%	10.36	
The Company	Stock — Formosa Ocean Group Marine Investment Corporation	-	Financial assets at fair value through other comprehensive income-non-current	3	4,587,084	19.00%	1,749,460	
The Company	Stock — Amtrust Capital Corporation	-	Financial assets at fair value through other comprehensive income-non-current	5,000	26,578	3.91%	5.32	
The Company	Stock — Mega Growth Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	2,500	19,750	1.97%	7.90	

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".

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- 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.
- Note 5: Stocks for collateral are as follows:  
 Holding Nan Ya Plastics Corporation 179,214 thousand shares with 81,100 thousand shares for collateral.

### 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, 2019		Purchase (Note 3)		Sell (Note 3)				As December 31, 2019 (Note 6)	
					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 6)	Subsidiary	11	\$3,785,225 (Note 5)	-	\$1,319,949	-	\$-	\$-	\$-	11	\$5,105,174 (Note 5)
The Company	Stock	Investments accounted for using the equity method	NKFG	Joint venture	1,500	15,000 (Note 5)	81,600	816,000	-	-	-	-	83,100	831,000 (Note 5)
The Company	Stock	Investments accounted for using the equity method	Formosa Resources Corporation	Associate	584,594	5,845,940 (Note 5)	157,000	1,570,000	-	-	-	-	741,594	7,415,940 (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 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: The book value has been measured at fair value before disposal.

### E.Acquisition of property with the amount exceeding NT\$300 million or 20% of the Company's paid-in capital:

Company	Property Name	Transaction Date	Transaction Amount	Status Payment	Counterparty	Relationship with the company	Disclosure of Information on Previous Transfer of Property is Required for Related Parties who are also the Counterparty				Reference for Determining Price	Purpose of Acquisition and Current Condition	Other
							Owner	Relationship with the Company	Date of Transfer	Amount			
The Company	The engineering of desalination plant	2019.08.05	\$1,900,397	Unpaid	Wanchi Steel Industrial Co LTD.	N/A	-	-	-	-	Open bid	Desalination plant construction	N/A

- Note 1: Acquisition of assets, which is regulated to be appraisal, should note the appraisal results in the "References for Determining Price" column.

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Note 2: 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 3: Transaction date is the earliest date of the contract date, payment date, deal closing date, transfer date, board resolution date or another date that the transaction counterparty and transaction amount can be determined.

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	\$89,392,189 6,910,491	13.84 1.27	30 days after receiving the goods	N/A	N/A	\$7,535,639 501,512	16.57 3.75	
The Company	Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	36,668,046 1,149,108	5.68 0.21	30 days after receiving the goods	N/A	N/A	2,831,620 86,379	6.22 0.65	
The Company	Formosa Chemicals & Fiber Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	100,365,621 15,972,584	15.54 2.93	30 days after receiving the goods	N/A	N/A	8,539,956 1,187,616	18.77 8.88	
The Company	Formosa Marine Corporation	Associate	Sales Purchases	249,193 -	0.04 -	30 days after receiving the goods	N/A	N/A	19,157 -	0.04 -	
The Company	National Petroleum Co., Ltd.	Others	Sales Purchases	20,406,526 -	3.16 -	45 days after receiving the goods	N/A	N/A	1,927,818 1,763,612 (Note Receivable) -	4.24 99.84 -	
The Company	Formosa Oil (Asia Pacific) Corporation	Subsidiary	Sales Purchases	14,801,796 -	2.29 -	30 days after receiving the goods	N/A	N/A	1,337,188 -	2.94 -	(Note)
The Company	Formosa Taffeta Co., Ltd	Others	Sales Purchases	10,726,911 19,311	1.66 -	30 days after receiving the goods	N/A	N/A	440,852 -	0.97 -	
The Company	Nan Chung Petrochemical Corp.	Others	Sales Purchases	5,937,409 -	0.92 -	30 days after receiving the goods	N/A	N/A	571,700 -	1.26 -	
The Company	Caltex Taiwan Corporation	Joint venture	Sales Purchases	8,486,226 -	1.31 -	30 days after receiving the goods	N/A	N/A	693,369 -	1.52 -	
The Company	Simosa Oil Corporation	Associate	Sales Purchases	4,953,207 -	0.77 -	30 days after receiving the goods	N/A	N/A	387,145 -	0.85 -	
The Company	Formosa BP Chemicals Corporation	Others	Sales Purchases	2,092,749 545,116	0.32 0.10	30 days after receiving the goods	N/A	N/A	218,366 57,431	0.48 0.43	
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Others	Sales Purchases	2,722,620 -	0.42 -	30 days after receiving the goods	N/A	N/A	218,718 -	0.48 -	
The Company	TMS Corp.	Associate	Sales Purchases	1,540,852 -	0.24 -	30 days after receiving the goods	N/A	N/A	11,050 -	0.02 -	

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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 Kraton Chemical Co., Ltd.	Joint venture	Sales	727,350	0.11	30 days after receiving the goods	N/A	N/A	6,445	0.01	
			Purchases	-	-	-	-	-	-	-	
The Company	Mai-Liao Power Corporation	Associate	Sales	194,961	0.03	30 days after receiving the goods	N/A	N/A	5,813	0.01	
			Purchases	-	-	-	-	-	-	-	
The Company	Idemitsu Formosa Specialty Chemicals Corp.	Joint venture	Sales	100,435	0.02	30 days after receiving the goods	N/A	N/A	31,894	0.07	
			Purchases	-	-	-	-	-	-	-	
The Company	Mailiao Harbor Administration Corporation	Associate	Sales	167,221	0.03	30 days after receiving the goods	N/A	N/A	33,840	0.07	
			Purchases	-	-	-	-	-	-	-	
The Company	Nan Ya Photonics Inc.	Others	Sales	-	-	30 days after receiving the goods	N/A	N/A	-	-	
			Purchases	103,530	0.02	-	-	-	5,529	0.04	

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	\$8,539,956	12.23	-	-	\$8,539,956	N/A	
The Company	Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	7,535,639	12.32	-	-	7,535,639	N/A	
The Company	Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	2,831,620	12.17	-	-	2,831,620	N/A	
The Company	National Petroleum Co., Ltd.	Others	3,691,430	5.47	-	-	3,691,430	N/A	
The Company	Formosa Oil (Asia Pacific) Corporation	Subsidiary	1,337,188	11.04	-	-	1,337,188	N/A	(Note 1)
The Company	Formosa Taffeta Co., Ltd	Others	440,852	21.71	-	-	440,852	N/A	
The Company	Caltex Taiwan Corporation	Joint venture	693,369	9.30	-	-	693,369	N/A	
The Company	Formosa BP Chemicals Corporation	Others	218,366	13.08	-	-	218,366	N/A	
The Company	Simosa Oil Corporation	Associate	387,145	14.60	-	-	387,145	N/A	

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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	Nan Chung Petrochemical Corp.	Others	571,700	13.01	-	-	571,700	N/A	
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Others	218,718	13.49	-	-	218,718	N/A	
	Other receivables from related parties								
The Company	Formosa Heavy Industries Corporation	Others	4,000,000	-	-	-	1,300,000	N/A	
The Company	Formosa Marine Corporation	Associate	500,000	-	-	-	100,000	N/A	
The Company	FPCC Marine Corporation (Note 2)	Subsidiary	2,950,388	-	-	-	60,846	N/A	(Note 1)

Note 1: All transactions are eliminated in the consolidated financial Statements.

Note 2: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

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	\$14,801,796	Prices similar to those with non-related parties	2.29%
				Accounts receivable	1,337,188	Receive in the following month	0.34%
1	Formosa Oil (Asia Pacific) Corporation	The Company	2	Labor force revenue	67,348	Receive in the following month	0.01%
2	Formosa Petrochemical Transportation Corporation	The Company	2	Labor force revenue	397,475	Receive in the following month	0.06%
				Accounts receivable	13,156	-	-
3	FPCC Marine Corporation (Note 5)	The Company	2	Labor force revenue	2,538,188	Receive in the following month	0.39%
				Accounts receivable	440,290	-	0.11%
				Other payables	2,950,388	-	0.74%
4	FG INC.	FPCC USA, INC.	3	Other receivable	240,848	-	0.06%

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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: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

### (2) Investee information

#### A. Names, locations and related information of investee companies as of December 31, 2018 (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, 2019	Balance at December 31, 2018	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	1,453,616	288,624	288,624	
The Company	Formosa Petrochemical Transportation Corporation	ROC	Transportation	176,019	176,019	19,378	88.00	303,225	58,184	51,202	
The Company	FPCC USA, INC.	US	Oil drilling	1,493,738	1,350,885	10	100.00	849,571	50,412	50,412	
The Company	FPCC Marine Corporation(Note3)	BVI	Ship chartering	100,440	100,440	10	100.00	384,702	99,846	99,846	
The Company	Formosa Petrochemical International (Cayman) Limited	Cayman	Investing	19,232,310	19,232,310	50	100.00	11,220,776	(80)	(80)	
The Company	FG INC.	US	Investing	5,105,174	3,785,225	11	57.00	4,954,487	(132,608)	(75,586)	
The Company	Mai-Liao Power Corporation	ROC	Electricity generation	5,985,979	5,985,979	547,070	24.94	11,051,494	2,199,499	548,641	
The Company	Yi-Chi Construction Corporation	ROC	Construction	80,500	80,500	8,050	40.55	89,751	876	355	
The Company	Mailiao Harbor Administration Corporation	ROC	Harbor manage	1,348,137	1,348,137	98,907	44.96	2,452,177	878,589	394,995	
The Company	Formosa Development Corporation	ROC	Development of land	229,970	229,970	42,179	45.99	759,060	71,925	33,075	
The Company	Formosa Marine Corporation	ROC	Transportation	20,000	20,000	3,238	20.00	103,296	556,804	111,360	

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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, 2019	Balance at December 31, 2018	Number of shares (in thousand)	Percentage	Amount			
The Company	Simosa Oil Corporation	ROC	Retail of other oil products and manufacturing	54,000	54,000	41,748	20.00	534,744	283,899	56,780	
The Company	Caltex Taiwan Corporation	ROC	Retail of petrochemical products and airport refueling	21,501	21,501	2,400	50.00	87,880	103,210	51,605	
The Company	Formosa Environmental Technology Corporation	ROC	Crop cultivating, Disposals of waste and sewage	417,145	417,145	41,714	24.34	225,692	366	89	
The Company	Formosa Plastics Synthetic Rubber	ROC	Synthetic Rubber Manufacturing	446,000	400,000	44,600	33.33	292,606	(2,050)	(688)	
The Company	Formosa Plastics Synthetic Rubber(HK)	HK	Investing	4,192,221	4,192,221	135,000	32.53	2,249,179	(564,872)	(183,753)	
The Company	Formosa Kraton Chemical Co., Ltd.	ROC	Synthetic Rubber Manufacturing	1,237,500	1,237,500	123,750	50.00	1,125,698	286,970	143,485	
The Company	Formolight Technologies, Inc.	ROC	LED	80,361	80,361	8,036	39.43	56,765	(9,282)	(3,659)	
The Company	Formosa Resources Corporation	ROC	Mining	7,415,940	5,845,940	741,594	25.00	6,615,934	(605,807)	(151,452)	
The Company	Formosa Group (Cayman) Limited	Cayman	Investing	377	377	13	25.00	653,576	145,410	36,352	
The Company	Idemitsu Formosa Specialty Chemicals Corp.	ROC	Retail of petrochemical products	750,000	750,000	75,000	50.00	579,805	(95,317)	(47,658)	
The Company	NKFG	ROC	Electronic components manufacturing & selling	831,000	15,000	83,100	50.00	658,063	(333,353)	(174,068)	
Formosa Oil (Asia Pacific) Corporation	Formosa Falkor Engineering Corporation	ROC	Piping component	11,500	11,500	1,150	50.00	7,516	(4,637)	(2,405)	
Formosa Oil (Asia Pacific) Corporation	TMS Corp.	ROC	Vehicle and parts export and import	40,000	40,000	3,430	49.00	48,288	12,894	6,452	
Formosa Oil (Asia Pacific) Corporation	Whale Home International Corp.	ROC	Retail of petrochemical	167,323	158,891	16,463	53.80	176,184	8,701	4,617	
Formosa Petrochemical Transportation Corporation	Whale Home International Corp.	ROC	Retail of petrochemical	48,209	48,209	4,801	15.69	51,382	8,701	1,365	
FPCC USA, INC.	NEUMIN OIL AND GAS, LLC	US	Oil drilling	-	305,191	-	-	-	-	-	
FG INC.	FG LA LLC	US	Petrochemical products manufacturing & selling	8,197,065	6,495,813	-	100.00	8,010,610	(154,897)	(154,897)	
FPCC Marine Corporation (Note 3)	Formosa Petrochemical Marine Company Limited (Note 4)	HK	Transportation	-	-	-	-	-	-	-	

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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 filled in each investee net income.
- (3) In "Share of Profits/Losses" column only need to filled in the company recognized each subsidiaries and the company under equity method's profits or loss. Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

Note 3: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

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, FG INC., FG LA LLC and Formosa Petrochemical Marine Company Limited (Note2). 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: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019

Note2: Formosa Petrochemical Marine Company Limited has been dissolved on September 20,2019

### (a) Financing provided to others

No (Note1)	Creditor	Borrower	General Ledger account (Note2)	Related party	Maximum outstanding balance during the three month period ended December 31, 2019	Balance at December 31, 2019 (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	Whale Home International Corp.	Other receivables from related parties	yes	\$50,000	\$1,700	\$1,700	1.414~1.418	(2)	Need for operating	N/A	N/A	N/A	\$363,404	\$726,808
2	FG LA LLC	FPCC USA, INC. (Note 9)	Other receivables from related parties	yes	173,866	-	-	2.796~3.169	(2)	Need for operating	N/A	N/A	N/A	801,061	24,031,830
3	FG INC.	FPCC USA, INC. (Note 9)	Other receivables from related parties	yes	376,920	240,848	240,848	2.405~2.904	(2)	Need for operating	N/A	N/A	N/A	869,208	26,076,246



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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, 2019: None.

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### (c) Securities held as of December 31, 2019

Holding Company	Type and Name of the Securities	Relationship	Financial Statement Account	As of December, 31 2019			
				Shares (thousands)	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	516	\$23,212	0.17%	40.00
Formosa Oil (Asia Pacific) Corporation	Stock – North-Star Petroleum Co., Ltd.	-	Financial assets at fair value through other comprehensive income – current	10,000	166,000	5.21%	16.60
Formosa Oil (Asia Pacific) Corporation	Stock – Tai Yi Feng Corporation	-	Financial assets at fair value through other comprehensive income – non-current	1,500	28,170	5.00%	18.78
Formosa Petrochemical International (Cayman) Limited	Stock – Formosa Ha Tinh (Cayman) Limited	Others	Financial assets at fair value through other comprehensive income – non-current	621,178	11,220,714	11.43%	18.06

### (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, 2018		Purchase (Note 3)		Sell (Note 3)				As of December 31, 2019	
					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	-	\$6,495,813 (Note 5)	-	\$1,701,252	-	\$-	\$-	\$-	-	\$8,197,065 (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.

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(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: None.

(j) Significant inter-company transactions: None.

**C. Investment in Mainland China as of December 31, 2019**

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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Investees company net income (Note2)	Percentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Formosa Plastics Synthetic Rubber(Ningbo)	Synthetic Rubber Manufacturing	US\$415,000 NT\$12,493,990	(2)	US\$135,000 NT\$4,192,221	-	-	US\$135,000 NT\$4,192,221	NT\$(564,872)	32.53%	NT\$(183,753)	NT\$2,249,179	\$-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note3)
US\$135,000 NT\$4,192,221	US\$135,000 NT\$4,192,221	NT\$198,133,837

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.

## **14. OPERATING SEGMENT INFORMATION**

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

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.

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	<u>\$604,347,757</u>	<u>\$50,239,594</u>	<u>\$19,493,777</u>	<u>\$(28,058,319)</u>	<u>\$646,022,809</u>
Interest revenue	-	-	702,038	-	702,038
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	<u>\$22,875,631</u>	<u>\$10,827,156</u>	<u>\$726,509</u>	<u>\$10,469,055</u>	<u>\$44,898,351</u>
Assets					
Investments accounted for using the equity method	-	-	46,985,466	(19,166,376)	27,819,090
Segment assets	<u>\$178,787,351</u>	<u>\$44,538,744</u>	<u>\$199,231,211</u>	<u>\$(24,525,513)</u>	<u>\$398,031,793</u>
Segment liabilities	<u>\$49,118,946</u>	<u>\$6,139,493</u>	<u>\$14,130,486</u>	<u>\$(5,359,137)</u>	<u>\$64,029,788</u>

**English Translation of Financial Statements Originally Issued in Chinese**

Information for the years ended December 31, 2018

	Petrochemical			Adjustment and	Consolidated
	Division	Utility Division	Others	eliminations	Amount
Revenue					
External customer	\$707,629,443	\$41,641,239	\$18,279,536	\$-	\$767,550,218
Inter-segment	15,218,381	11,300,224	4,683,805	(31,202,410)	-
Total revenue	<u>\$722,847,824</u>	<u>\$52,941,463</u>	<u>\$22,963,341</u>	<u>\$(31,202,410)</u>	<u>\$767,550,218</u>
Interest revenue	-	-	891,976	-	891,976
Rent revenue	1,075,887	-	113,271	-	1,189,158
Interest expense	510,010	72,626	107,607	-	690,243
Depreciation and depletion	8,390,609	4,027,083	800,841	-	13,218,533
Amortization	1,942,678	-	8,954	-	1,951,632
Other material non-cash items:					
Impairment of assets	-	-	47,918	-	47,918
Segment profit	<u>\$63,963,059</u>	<u>\$6,271,790</u>	<u>\$950,757</u>	<u>\$3,361,507</u>	<u>\$74,547,113</u>
Assets					
Investments accounted for using					
the equity method	-	-	48,949,755	(22,893,730)	26,056,025
Segment assets	<u>\$201,667,818</u>	<u>\$37,478,836</u>	<u>\$194,794,154</u>	<u>\$(28,171,353)</u>	<u>\$405,769,455</u>
Segment liabilities	<u>\$49,874,344</u>	<u>\$4,051,550</u>	<u>\$16,465,003</u>	<u>\$(5,277,622)</u>	<u>\$65,113,275</u>

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, 2019	For the year ended December 31, 2018
	NTD	NTD
Total revenue from reportable segments	\$654,587,351	\$775,789,287
Other revenue	19,493,777	22,963,341
Elimination of inter-segment revenue	(28,058,319)	(31,202,410)
Total revenue	<u>\$646,022,809</u>	<u>\$767,550,218</u>

**English Translation of Financial Statements Originally Issued in Chinese**

B. Profit or loss:

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Net income from reportable segments	\$33,702,787	\$70,234,849
Net income from other segments	726,509	950,757
Adjustment	10,469,055	3,361,507
Net income from continuing operations	<u>\$44,898,351</u>	<u>\$74,547,113</u>

C. Assets:

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Total assets of reportable segments	\$223,326,095	\$239,146,654
Other assets	199,231,211	194,794,154
Adjustment	(24,525,513)	(28,171,353)
Segment assets	<u>\$398,031,793</u>	<u>\$405,769,455</u>

D. Liabilities:

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Total liabilities of reportable segments	\$55,258,439	\$53,925,894
Unallocated defined benefit pension liabilities	14,130,486	16,465,003
Adjustment	(5,359,137)	(5,277,622)
Segment liabilities	<u>\$64,029,788</u>	<u>\$65,113,275</u>

E. Other material items:

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

**English Translation of Financial Statements Originally Issued in Chinese**

For the year ended December 31, 2018

	Reportable segments	Adjustments	Consolidated
Interest revenue	\$-	\$891,976	\$891,976
Rent revenue	1,075,887	113,271	1,189,158
Interest expense	582,636	107,607	690,243
Depreciation and depletion	12,417,692	800,841	13,218,533
Amortization	1,942,678	8,954	1,951,632
Impairment	-	47,918	47,918
Equity accounted investments	-	26,056,025	26,056,025

The reconciling item to adjust capital expenditures for non-current assets is the amount incurred for the corporate headquarters building, which is not included in segment information. None of the other adjustments are material.

**(3) Geographical information**

Revenue from external customers

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Taiwan	\$354,313,235	\$444,081,332
Korea	103,758,808	73,684,289
Philippines	28,185,231	83,130,199
Singapore	40,326,965	37,642,170
Malaysia	11,914,531	19,158,741
People's Republic of China	18,106,960	20,520,222
Other countries	89,417,079	89,333,265
Total	\$646,022,809	\$767,550,218

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

Non-current assets

	As of December 31, 2019	December 31, 2018
	NTD	NTD
Taiwan	\$103,665,643	\$109,097,718
Other countries	8,871,099	7,267,742
Total	\$112,536,742	\$116,365,460

**English Translation of Financial Statements Originally Issued in Chinese**

The non-current assets is include 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, 2019

Customer	Sales Amount	Division
Formosa Chemicals & Fibre Corp.	\$100,365,621	Petrochemical and utility divisions
Formosa Plastics Corp.	89,392,189	Petrochemical and utility divisions
	<u>\$189,757,810</u>	

For the year ended December 31, 2018

Customer	Sales Amount	Division
Formosa Chemicals & Fibre Corp.	\$151,546,891	Petrochemical and utility divisions
Formosa Plastics Corp.	108,251,482	Petrochemical and utility divisions
	<u>\$259,798,373</u>	



**FORMOSA PETROCHEMICAL CORPORATION**  
**INDIVIDUAL FINANCIAL STATEMENTS**  
**For The Years Ended**  
**December 31, 2019 And 2018**  
**Report of Independent Auditors**

*The reader is advised that these 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.*

## **Independent Auditors' Report Translated from Chinese**

To the Board of Directors and Stockholders of  
Formosa Petrochemical Corporation

### **Opinion**

We have audited the accompanying individual balance sheets of Formosa Petrochemical Corporation (the "Company") as of December 31, 2019 and 2018, and the related individual statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the individual financial statements, including the summary of significant accounting policies.

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 individual financial statements referred to above present fairly, in all material respects, the individual financial position of the Company as of December 31, 2019 and 2018, and their individual financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Individual Financial Statements* section of our report. We are independent of the Company 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 2019 individual financial statements. These matters were addressed in the context of our audit of the individual 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\$643,824,935 thousand in 2019. Due to multiple different terms of contract and the distinctive industry characteristics, the complexity of revenue recognition increases. Therefore, identify obligation of customers contract and the appropriate timing of revenue recognition is a key audit matter when conducting the audit of the individual financial statements.

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 top 10 customers that are related parties; understand nature and rationality of transactions with the Company's 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 individual financial statements.

### Valuation of inventories

As of December 31, 2019, the inventories amounted to NT\$60,075,679 thousand, representing 16% of total assets, which was significant to the individual financial statements. The valuation of inventories consists of raw materials, finished goods and work in process. Due to the fluctuation of material prices such as crude oil, could lead to value fluctuation of inventories, resulting in complex calculation of net realizable value. Therefore, valuation of inventories is listed 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; perform tests on the net realizable value used by the management to evaluate its accuracy.

We also consider the appropriateness of inventories disclosure included in note 4 and note 6.6 of the notes to the individual 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\$5,171,246 thousand and NT\$5,186,111 thousand, both representing 1% of individual total assets as of December 31, 2019 and 2018. The related shares of profit or loss of subsidiaries, associates and joint ventures under the equity method amounted to NT\$52,620 thousand and NT\$129,143 thousand, both representing 0% of the individual income before tax for the years ended December 31 2019 and 2018, respectively, and the related shares of other comprehensive income of subsidiaries, associates and joint ventures under the equity method amounted to NT\$(108,055) thousand and NT\$(32,598) thousand, representing (8)% and 0% of the individual other comprehensive income for the years ended December 31, 2019 and 2018, respectively.

#### **Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements**

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

## **Auditor's Responsibilities for the Audit of the Individual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the individual 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 individual 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 individual 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.
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. 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 individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the individual financial statements, including the accompanying notes, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual 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 2019 individual 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.

Lin, Li Huang  
Fuh, Wen Fun  
Ernst & Young, Taiwan  
March 9, 2020

#### Notice to Readers

The accompanying individual 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 individual financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying 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 Financial Statements Originally Issued in Chinese**

**FORMOSA PETROCHEMICAL CORPORATION**

**INDIVIDUAL BALANCE SHEETS**

**DECEMBER 31, 2019 AND DECEMBER 31, 2018**

**(Expressed in Thousands of Dollars)**

		December 31, 2019	December 31, 2018
ASSETS	Notes	NTD	NTD
CURRENT ASSETS			
Cash and cash equivalents	4 & 6.1 & 12	\$29,915,519	\$34,962,132
Financial assets at fair value through profit or loss — current	4 & 6.2 & 12	4,043,969	4,016,864
Financial assets at fair value through other comprehensive income — current	4 & 6.3 & 8 & 12	59,239,822	51,129,629
Financial assets for hedging — current	4 & 6.4 & 12	3,410	13,353
Notes receivable, net	4 & 6.5 & 12	2,638	1,551
Notes receivable due from related parties, net	4 & 6.5 & 7 & 12	1,763,612	1,722,460
Accounts receivable, net	4 & 6.5 & 12	21,820,139	23,359,503
Accounts receivable due from related parties, net	4 & 6.5 & 7 & 12	24,817,094	29,710,393
Finance lease receivable, net	4 & 6.17 & 7 & 12	10,603	-
Other receivables (including from related parties)	7 & 12 & 13	16,728,177	18,897,442
Inventories	4 & 6.6	60,075,679	60,606,592
Prepayments	6.7	8,691,659	7,629,950
Other current assets	8	411,497	469,128
Total current assets		227,523,818	232,518,997
NONCURRENT ASSETS			
Financial assets at fair value through other comprehensive income — non-current	4 & 6.3 & 12	5,384,778	5,610,358
Investments accounted for using equity method	4 & 6.8	46,702,097	48,654,195
Property, plant and equipment	4 & 6.9 & 7 & 8	94,296,343	100,395,305
Right-of-use assets	4 & 6.17 & 7	138,580	-
Investment property	4 & 6.10	366,244	374,081
Deferred tax assets	4 & 6.21	4,276,433	5,631,579
Long-term finance lease receivable, net	4 & 6.19 & 7 & 12	172,326	-
Other non-current assets	4 & 6.10	8,176,734	7,553,739
Total non-current assets		159,513,535	168,219,257
TOTAL ASSETS		\$387,037,353	\$400,738,254

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

(Forward)

**English Translation of Financial Statements Originally Issued in Chinese**

**FORMOSA PETROCHEMICAL CORPORATION**

**INDIVIDUAL BALANCE SHEETS**

**DECEMBER 31, 2019 AND DECEMBER 31, 2018**

**(Expressed in Thousands of Dollars)**

		<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>NTD</b>	<b>NTD</b>
<b>CURRENT LIABILITIES</b>			
Short-term loans	6.11 & 8 & 12	\$302,160	\$755,444
Financial liabilities for hedging — current	4 & 6.4 & 12	-	95,472
Contract liabilities — current	4 & 6.15	8,739	236,263
Notes payable	12	5,079	9,782
Accounts payable	12	11,503,995	17,144,007
Accounts payable to related parties	7 & 12	1,851,998	3,137,233
Other payables		14,820,550	12,318,470
Other payables to related parties	7	267,347	726,677
Current tax liabilities	4 & 6.21	3,444,667	7,752,950
Current lease liabilities	4 & 6.17 & 7 & 12	34,944	-
Current portion of long-term debts	6.12	3,200,000	7,650,000
Other current liabilities	9	254,897	213,209
Total current liabilities		35,694,376	50,039,507
<b>NONCURRENT LIABILITIES</b>			
Bonds payable	6.12	14,700,000	6,800,000
Deferred tax liabilities	4 & 6.21	159,726	225,707
Non-current lease liabilities	4 & 6.17 & 7 & 12	104,909	-
Defined benefit pension liability	4 & 6.13	4,807,889	4,558,054
Other non-current liabilities		1,347,392	1,376,778
Total non-current liabilities		21,119,916	12,960,539
<b>TOTAL LIABILITIES</b>		56,814,292	63,000,046
<b>EQUITY</b>			
Capital stock			
Common stock	4 & 6.14	95,259,597	95,259,597
Capital surplus		31,399,948	31,385,997
Retained earnings			
Legal reserve		68,510,664	62,501,642
Special reserve		3,033,784	3,033,784
Unappropriated earnings		99,680,185	114,793,328
Total retained earnings		171,224,633	180,328,754
Other equity		32,338,883	30,763,860
<b>TOTAL EQUITY</b>		330,223,061	337,738,208
<b>TOTAL LIABILITIES AND EQUITY</b>		\$387,037,353	\$400,738,254

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



English Translation of Financial Statements Originally Issued in Chinese

**FORMOSA PETROCHEMICAL CORPORATION**  
**INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
**(Expressed in Thousands of Dollars, Except for Earnings per Share)**

		<b>For the Year Ended December 31, 2019</b>	<b>For the Year Ended December 31, 2018</b>
	<b>Notes</b>	<b>NTD</b>	<b>NTD</b>
OPERATING REVENUES	4 & 6.15 & 7	\$643,824,935	\$765,493,218
OPERATING COSTS	4 & 6.6 & 6.18 & 7	597,846,895	689,490,024
GROSS PROFIT		45,978,040	76,003,194
OPERATING EXPENSES	4 & 6.13 & 6.16 & 6.18 & 7		
Selling and marketing		4,979,187	5,236,708
General and administrative		4,379,201	4,296,232
Research and development		223,951	302,341
Expected credit losses (gains)		(63,363)	(24,939)
Total operating expenses		9,518,976	9,810,342
OPERATING INCOME		36,459,064	66,192,852
NON-OPERATING INCOME AND EXPENSES			
Other income	6.19 & 7	6,910,120	6,009,716
Other gains and losses	6.19 & 7	684,169	2,015,808
Financial costs	6.19 & 7	(382,927)	(599,560)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	4 & 6.8	1,229,877	890,509
Total non-operating income and expenses		8,441,239	8,316,473
INCOME BEFORE INCOME TAX		44,900,303	74,509,325
INCOME TAX EXPENSE	4 & 6.21	8,102,090	14,419,100
NET INCOME		36,798,213	60,090,225
OTHER COMPREHENSIVE INCOME	6.8 & 6.20		
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(204,889)	(122,497)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income		7,884,613	(8,569,451)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		(5,637,605)	(2,226,589)
Income tax (benefit) expense relating to items that will not be reclassified		(40,978)	(56,785)
Items that may be reclassified subsequently to profit or loss			
Gains (losses) on hedging instrument		85,529	(122,413)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		(754,224)	894,833
Income tax (benefit) expense relating to items that may be reclassified		17,106	(23,274)
Total other comprehensive income (loss) for the period, net of income tax		1,397,296	(10,066,058)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		\$38,195,509	\$50,024,167
EARNINGS PER SHARE (NTD)			
Earnings per share — basic/diluted			
Continuing operating income before tax	4 & 6.22	\$4.71	\$7.82
Net Income		\$3.86	\$6.31

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

English Translation of Financial Statements Originally Issued in Chinese  
**FORMOSA PETROCHEMICAL CORPORATION**  
**INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
**(Expressed in Thousands of Dollars)**

	New Taiwan Dollars	Other Components of Equity									
		Unrealized gains (losses) from Equity Instruments					Unrealized gain or loss from Available-for-sale Financial Assets			Gains (losses) on Hedging Instruments	Total Equity
		Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Investments measured at Fair Value through Other Comprehensive Income	Cash Flow Hedges Reserve		
Balance as of January 1, 2018		\$95,259,597	\$31,422,127	\$54,484,627	\$3,033,784	\$120,590,574	\$(222,138)	\$ -	\$33,445	\$ -	\$341,286,600
Effects of retrospective application and retrospective restatement											
Balance as of January 1, 2018 after adjustment		95,259,597	31,422,127	54,484,627	3,033,784	122,818,967	(222,138)	40,933,308	(33,445)	33,445	6,477,117
Appropriation of 2017 earnings:											
Legal reserve											
Cash dividends		-	-	8,017,015	-	(8,017,015)	-	-	-	-	-
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method		-	(36,153)	-	-	(60,013,546)	-	-	-	-	(60,013,546)
Other changes in capital surplus		-	23	-	-	-	-	-	-	-	23
Net income for the year ended December 31, 2018		-	-	-	-	60,090,225	-	-	-	-	60,090,225
Other comprehensive income for the year ended December 31, 2018		-	-	-	-	(83,650)	894,833	(10,778,102)	-	(99,139)	(10,066,058)
Total comprehensive income		-	-	-	-	60,006,575	894,833	(10,778,102)	-	(99,139)	50,024,167
Disposal of equity instruments investments designated at fair value through other comprehensive income											
Balance as of December 31, 2018		\$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
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
Appropriation of 2018 earnings:											
Legal reserve		-	-	6,009,022	-	(6,009,022)	-	-	-	-	-
Cash dividends		-	-	-	-	(45,724,607)	-	-	-	-	(45,724,607)
Other changes in capital surplus:											
Changes in equity of associates and joint ventures accounted for using equity method		-	13,652	-	-	-	-	-	-	-	13,652
Other changes in capital surplus		-	299	-	-	-	-	-	-	-	299
Net income for the year ended December 31, 2019		-	-	-	-	36,798,213	-	-	-	-	36,798,213
Other comprehensive income for the year ended December 31, 2019		-	-	-	-	(177,727)	(754,224)	2,260,824	-	68,423	1,397,296
Total comprehensive income		-	-	-	-	36,620,486	(754,224)	2,260,824	-	68,423	38,195,509
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

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

**English Translation of Financial Statements Originally Issued in Chinese**

**FORMOSA PETROCHEMICAL CORPORATION**  
**INDIVIDUAL STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
**(Expressed in Thousands of Dollars)**

	<b>For the Year Ended December 31, 2019</b>	<b>For the Year Ended December 31, 2018</b>
	<b>NTD</b>	<b>NTD</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$44,900,303	\$74,509,325
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation and depletion	10,776,274	12,902,614
Amortization	1,604,675	1,950,743
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(27,105)	(219,831)
Interest expense	382,927	599,560
Interest income	(533,991)	(715,401)
Dividends income	(4,460,394)	(3,324,054)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(1,229,877)	(890,509)
(Gain) loss on disposal of property, plant and equipment	(33,597)	8,882
(Gain) loss on disposal of investment property	-	(5,908)
Impairment loss on non-financial assets	7,837	42,046
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	-	2,281,704
Decrease (increase) in notes receivable (including related parties)	(42,239)	(119,866)
Decrease (increase) in accounts receivable (including related parties)	6,432,663	2,547,830
Decrease (increase) in other receivables (including related parties)	586,269	580,734
Decrease (increase) in inventories	530,913	(2,528,336)
Decrease (increase) in prepayments	(2,313,175)	316,823
Decrease (increase) in other current assets	57,677	96,349
Increase (decrease) in contract liabilities	(227,524)	179,760
Increase (decrease) in notes payable	(4,703)	9,062
Increase (decrease) in accounts payable (including related parties)	(6,925,247)	8,369,213
Increase (decrease) in other payables	2,518,753	(1,137,500)
Increase (decrease) in other current liabilities	101,914	(1,917,065)
Increase (decrease) in defined benefit pension liability, net	44,946	46,538
Cash from operating activities	52,147,299	93,582,713
Income taxes received (paid)	(11,097,336)	(17,183,485)
Net cash provided by (used in) operating activities	41,049,963	76,399,228

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

(Forward)

**English Translation of Financial Statements Originally Issued in Chinese**

**FORMOSA PETROCHEMICAL CORPORATION**

**INDIVIDUAL STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**(Expressed in Thousands of Dollars)**

	<b><u>For the Year Ended December 31, 2019</u></b>	<b><u>For the Year Ended December 31, 2018</u></b>
	<b><u>NTD</u></b>	<b><u>NTD</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	(3,894,802)	(3,802,721)
Acquisition of property, plant and equipment:		
Cost paid	(4,855,126)	(10,372,413)
Interest paid	(1,663)	(2,354)
Proceeds from disposal of property, plant and equipment	60,523	7,498
Decrease in receipts in advance due to disposal of assets	(60,226)	-
Decrease in other receivables — due from affiliates	1,571,144	17,276,869
Proceeds from disposal of investment property	-	53,329
Decrease in long-term lease receivables	5,202	-
Increase in other financial assets	(46)	(46)
Increase in other non-current assets	(976,204)	(1,782,857)
Interests received	545,843	736,374
Dividends received	5,158,994	4,414,568
Net cash provided by (used in) investing activities	<u>(2,446,361)</u>	<u>6,528,247</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	-	179,091
Decrease in short-term loans	(453,284)	-
Proceeds from issuing bonds (including current portion)	11,100,000	-
Repayments of bonds (including current portion)	(7,650,000)	(11,250,000)
Repayments of long-term debt (including current portion)	-	(15,896,216)
Increase in other payables to related parties	-	528,412
Decrease in other payables to related parties	(459,330)	-
Payments of lease liabilities	(34,307)	-
Increase in other non-current liabilities	-	37,192
Decrease in other non-current liabilities	(29,087)	-
Cash dividends paid	(45,724,366)	(60,013,090)
Interest paid	(399,841)	(704,283)
Net cash provided by (used in) financing activities	<u>(43,650,215)</u>	<u>(87,118,894)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(5,046,613)</u>	<u>(4,191,419)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>34,962,132</u>	<u>39,153,551</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u><u>\$29,915,519</u></u>	<u><u>\$34,962,132</u></u>

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

**Formosa Petrochemical Corporation**

**Notes To Financial Statements**

**For The Years Ended December 31, 2019 and 2018**

**(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

**(Audited)**

**1. HISTORY AND ORGANIZATION**

- (1) 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 Company’s shares were approved to be listed on the Taiwan Stock Exchange on November 12, 2003 and were traded publicly starting from December 26, 2003. The major shareholders of the Company are Formosa Plastics Corporation, Nan Ya Plastics Corporation and Formosa Chemicals & Fibre Corporation with equity interests of 28.56%, 23.11% and 24.15%, respectively, as of December 31, 2019.
- (2) The principal activities of the Company include the following:
- A. Operation of refinery of petroleum and integrated manufacture of hydrocarbon.
  - B. Involvement in export/import, marketing, storage and pipeline transport of crude oil, natural gasoline, naphtha, propane, other feed stocks and intermediate products for naphtha cracking and refinery
  - C. Operation of export/import, marketing, and storage and pipeline transport of petrochemical products - ethylene, propylene, other pyrolysis and petroleum products
  - D. Construction of co-generation plants to provide steam and electricity in industrial site
  - E. Production and sales of nitrogen, oxygen, compressed air, industrial water, ultra-pure water, etc. in industrial site
  - F. Export/import of liquefied petroleum gas and petroleum products
  - G. Export/import of coal
  - H. Governmental commissioned development of industrial site and administration of related lease and business activities (other than construction and building)
  - I. Quarrying of soil, sand and gravel

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

The financial statements of the Company for the years ended December 31, 2019 and 2018 were authorized for issue by the Company’s board of directors (the Board) on March 9, 2020.

### **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 Company 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, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

(a) *IFRS 16 “Leases”*

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Company follows the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

- A. Please refer to Note 4 for the accounting policies before or after January 1, 2019.
- B. For the definition of a lease, the Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered (or changed) on or after January 1, 2019, the Company need to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that 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. The Company assessed most of the contracts are, or contain, leases and has no significant impact arise.
- C. The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019, and; The Company chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Company's right-of-use asset and lease liability increased by NT\$174,160 thousand and NT\$174,160 thousand, respectively.

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

- i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
- iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
- iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
- v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Please refer to Note 4 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

(c) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

- i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.979%.

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- ii. An explanation of the difference, NT\$179,138 thousand, between: operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and lease liabilities recognized in the balance sheet as at January 1, 2019.

Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	\$360,940
Discounted using the incremental borrowing rate on January 1, 2019	\$353,298
Less: adjustment to leases that meet and elect to account in the same way as short-term leases (if any)	(179,138)
The carrying value of lease liabilities recognized as at January 1, 2019	\$174,160

D. The Company is a lessor and has not made any adjustments. Please refer to Note 4 and Note 6 for the information relating to the lessor.

- (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 Company 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	Definition of a Business - Amendments to IFRS 3	January 1, 2020
b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

(a) Definition of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.



(b) Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

(c) Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

(i) highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(ii) prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(iii) IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(iv) separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

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The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. Apart from item (3) explained below, the remaining standards and interpretations have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, but not yet adopted by the Company 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, 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

- (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 company 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 company 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.

**(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.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company 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 Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(1) Statement of compliance**

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The financial statements of the Company for the years ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

### **(2) Basis of preparation**

The financial statements of the Company have been prepared in accordance with Article 21 of the Regulations. According to Article 21, the profit or loss for the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners’ equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the Bank accounted for its investments in subsidiaries using equity method and made necessary adjustment.

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

### **(3) Foreign currency transactions**

The Company’s financial statements are presented in NT\$.

Transactions in foreign currencies are initially recorded by the Company 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.

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- 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.

### **(4) 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 Company: 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.

### **(5) Current and non-current distinction**

An asset is classified as current when:

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- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Company holds the asset primarily for the purpose of trading
- C. The Company 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 Company expects to settle the liability in its normal operating cycle
- B. The Company 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 Company 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.

### **(6) 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 the time deposits with maturing of less than 12 months, repurchase bonds and commercial papers).

### **(7) Financial instruments**

Financial assets and financial liabilities are recognized when the Company 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

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

The Company 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 Company'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 Company 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 Company 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 Company 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 Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.



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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 Company 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.

These financial assets should be measured at fair value and the gain or loss resulted from the measurement should be recognized in profit or loss. The profit or loss recognized include dividends and interests received from the financial assets.

## **B. Impairment of financial assets**

The Company 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 Company 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 Company 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 Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For impairment of lease receivable, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company 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 Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Company 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

## **English Translation of Financial Statements Originally Issued in Chinese**

### Classification between liabilities or equity

The Company 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 equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

### 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.

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### **Financial liabilities at amortized cost**

Financial liabilities measured at amortized cost include 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.

## **(8) Derivatives instrument and hedge accounting**

The Company 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.

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The Company'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.

## **(9) Fair value**

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 Company 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.

## **English Translation of Financial Statements Originally Issued in Chinese**

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 Company 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.

### **(10) 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 conditions are 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.

### **(11) Investments accounted for using the equity method**

According to Art. 21 of Regulation Governing the Preparation of Financial Reports by Securities Issuers, the Company's investments in its subsidiaries are presented as Investments accounted for using equity method with necessary adjustments so that the net income and other comprehensive income of individual financial report equal the net income and other comprehensive income attributed to the parent of consolidated financial report, and that the shareholder's equity of individual financial report equals the shareholder's equity attributed to the parent of consolidated financial report. Considering the accounting treatment for investment in subsidiaries specified in IFRS 10 "Consolidated Financial Statements", and the different accounting treatments for different level of investees, necessary adjustments are made by debiting or crediting "Investments accounted for using equity method," "Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method," and "Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method."

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

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company 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 on a prorate basis.

When the associate issues new stock and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid in capital and investment in associate. When the interest in the associate 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 prorate basis when the Company disposes of the associate.

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate 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 Company estimates:

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- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment.
- 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 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, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate 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 become 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.

### **(12) Property, plant and equipment**

Property, plant and equipment is 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 Company 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
Right-of-use assets	2~20 years
Leasehold improvements	The shorter of lease terms or economic useful lives



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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 audited 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.

### **(13) Investment property**

#### **The accounting policy from January 1, 2019 as follow:**

The Company'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 company 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 Company 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.

**The accounting policy before January 1, 2019 as follow:**

The Company's 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, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal company that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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 Company transfers to or from investment properties when there is a change in use for these 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.

**(14) Leases**

**The accounting policy from January 1, 2019 as follow:**

For contracts entered on or after January 1, 2019, the Company 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 Company 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.

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The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company 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 Company 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 Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

### **Company as a lessee**

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

At the commencement date, the Company 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 Company 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 Company 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.

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After the commencement date, the Company 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 Company 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 Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company 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 Company 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 Company accounted for as short-term leases or leases of low-value assets, the Company 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 Company 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.

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### **Company as a lessor**

At inception of a contract, the Company 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 Company 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 Company allocates the consideration in the contract applying IFRS 15.

The Company 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.

### **The accounting policy before January 1, 2019 as follow:**

#### **Company as a lessee**

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

#### **Company as a lessor**

The Company amortized lease revenue to each accounting period, in order to reflect the same return on net investment of lease. Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating leases was recognized over the lease term using the straight line method. Contingent rents are recognized as revenue in the period in which they are earned.

**(15) Impairment of non-financial assets**

The Company 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 Company 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 Companies 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 Company 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.

**(16) Revenue recognition**

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

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### **Sales of goods**

The Company 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 Company 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 Company has not provided any warranty to its products.

The credit period of the Company's sale of goods is from 30 to 60 days. For most of the contracts, when the Company 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 Company 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 Company has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company 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 Company 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 Company are claimed after services have been performed. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly these amounts are recognized as contract liabilities.

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

### **(17) 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.

### **(18) Post-employment benefits**

All regular employees of the Company 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. Therefore fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company 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.

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 Company 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.



**(19) 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

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- 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 Company 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 financial statements require management to make judgements, 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) Judgement**

In the process of applying the Company's accounting policies, management has made no judgements, which have the most significant effect on the amounts recognized in the financial statements.

### **(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.

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### **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, future salary increases, mortality rates and future pension increases.

### **C. Revenue recognition – sales returns and allowance**

The Company 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 Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries 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 Company's domicile.

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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. Judgement 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 Company 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,	December 31,
	2019	2018
	NTD	NTD
Cash on hand and petty cash	\$105	\$49
Checking accounts	87,337	118,205
Demand deposits	12,210,558	10,201,262
Time deposits	8,900,000	18,317,111
Commercial paper	6,194,209	5,161,505
Repurchase bonds	2,523,310	1,164,000
Total	<u>\$29,915,519</u>	<u>\$34,962,132</u>

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

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

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Mandatorily measured at fair value through profit or loss:		
Funds	\$4,043,969	\$4,016,864

The profit (loss) arising from financial assets at fair value through profit or loss were NT\$27,105 thousand and NT\$219,831 thousand for the years ended December 31, 2019 and 2018, 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, 2019	December 31, 2018
	NTD	NTD
Equity instruments investments measured at fair value through other comprehensive income:		
Listed companies stocks	\$59,239,822	\$51,129,629
Unlisted companies stocks	5,384,778	5,610,358
Total	\$64,624,600	\$56,739,987
Current	\$59,239,822	\$51,129,629
Non-current	5,384,778	5,610,358
Total	\$64,624,600	\$56,739,987

The Company 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 Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 are as follow:

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	For the year ended December 31, 2019	For the year ended December 31, 2018
Related to investments held at the end of the reporting period	<u>\$4,460,394</u>	<u>\$3,324,054</u>

**(4) Financial assets (liabilities) for hedging — current and non-current**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Financial assets for hedging		
Financial Derivatives		
Energy commodity swap contracts	<u>\$3,410</u>	<u>\$13,353</u>
Current	\$3,410	\$13,353
Non-current	-	-
Total	<u>\$3,410</u>	<u>\$13,353</u>

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Financial liabilities for hedging		
Financial Derivatives		
Energy commodity swap contracts	<u>\$-</u>	<u>\$95,472</u>
Current		
Non-current	\$-	\$95,472
Total	<u>-</u>	<u>-</u>
	<u>\$-</u>	<u>\$95,472</u>

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

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- A. As of December 31, 2019 and 2018, there were 9 and 48 energy commodity swap contracts outstanding, respectively. The Company used these contracts to hedge the fluctuations of international crude oil and petroleum product 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 and petroleum product prices, the outstanding energy commodity swap contracts were as follows:

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

		December 31, 2018		
		Notional Quantity	Book Value	
Type of Transaction	Pricing Period		Asset NTD	Liability NTD
Singapore gasoline/ Dubai Crack Swap	Jan.1, 2019~ Dec.31, 2019	300 (1,000 bbls)	\$11,363	\$200
Singapore gasoline/ Brent Crack Swap	Jan.1, 2019~ Dec.31, 2019	600 (1,000 bbls)	-	95,272
Singapore jet fuel/ diesel oil Crack Swap	Jan.1, 2019~ Dec.31, 2019	300 (1,000 bbls)	1,990	-
Total			13,353	95,472
Less: Derivative financial assets (liabilities) for hedging — current			13,353	95,472
Derivative financial assets (liabilities) for hedging — non-current			\$-	\$-

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**(5) Notes and accounts receivable**

	As of	
	December 31, 2018	December 31, 2017
	NTD	NTD
A. Notes receivable	\$2,638	\$1,551
Less: Loss allowance	-	-
Notes receivable, net	\$2,638	\$1,551
 B. Notes receivable – related parties	 \$1,763,612	 \$1,722,460
Less: Loss allowance	-	-
Notes receivable – related parties, net	\$1,763,612	\$1,722,460
 C. Accounts receivable	 \$22,309,063	 \$23,957,491
Less: Loss allowance	(488,924)	(597,988)
Accounts receivable, net	\$21,820,139	\$23,359,503
 D. Accounts receivable — related parties	 \$24,817,094	 \$29,710,393
Less: Loss allowance	-	-
Accounts receivable — related parties, net	\$24,817,094	\$29,710,393

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, 2019 and 2018, the book value were NT\$48,892,407 thousand and NT\$55,391,895 thousand, respectively. Please refer to Note 6.16 for more details on loss allowance of trade receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

**(6) Inventories**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Raw materials	\$19,111,891	\$23,226,125
Supplies	5,251,934	4,754,773
Work in process	9,994,942	10,317,733
Finished goods	20,120,662	21,811,237
Goods in transit	5,596,250	496,724
Total	\$60,075,679	\$60,606,592



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- A. The cost of inventories recognized in expenses amounted to NT\$597,846,895 thousand and NT\$689,490,024 thousand for the year ended December 31, 2019 and 2018, including the loss (benefit) from inventory written down to its respective net realizable value of NT\$(3,435,721) thousand and NT\$3,551,906 thousand, respectively.
- B. Because of the rising prices of the crude oil and naphtha, the Company had recognized gain from price recovery of inventory in the amount of NT\$3,435,721 thousand for the years ended December 31, 2019.
- C. No inventories were pledged as of December 31, 2019 and 2018.

**(7) Prepaid expense**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Prepaid expense — Maintenance	\$5,023,047	\$3,313,723
Prepaid expense — Material	1,619,037	1,844,500
Prepaid taxes — Input VAT	655,781	1,334,229
Prepaid expense — Insurance	64,386	46,727
Prepaid expense — Others	1,329,408	1,090,771
Total	<u>\$8,691,659</u>	<u>\$7,629,950</u>

**(8) Investments accounted for using the equity method**

Investments accounted for using the equity method consisted of the following:

Investee	As of			
	December 31, 2019		December 31, 2018	
	NTD	Percentage of Ownership (%)	NTD	Percentage of Ownership (%)
<u>Subsidiary company</u>				
Formosa Oil (Asia Pacific) Corporation	\$1,453,616	100.00	\$1,416,795	100.00
Formosa Petrochemical Transportation Corporation	303,225	88.00	271,460	88.00
FPCC USA, INC.	849,571	100.00	674,933	100.00
FPCC Marine Corporation (Note)	384,702	100.00	293,484	100.00
Formosa Petrochemical International (Cayman) Limited	11,220,776	100.00	16,418,118	100.00
FG INC.	<u>4,954,487</u>	57.00	<u>3,818,939</u>	57.00
Subtotal	<u>19,166,377</u>		<u>22,893,729</u>	

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Investee	As of			
	December 31, 2019		December 31, 2018	
	NTD	Percentage of Ownership (%)	NTD	Percentage of Ownership (%)
<u>Investments in associates</u>				
Mai-Liao Power Corporation	11,051,494	24.94	11,164,325	24.94
Yi-Chi Construction Corporation	89,751	40.55	89,396	40.55
Mailiao Harbor Administration Corporation	2,452,177	44.96	2,375,960	44.96
Formosa Development Corporation	759,060	45.99	797,630	45.99
Formosa Marine Corporation	103,296	20.00	73,928	20.00
Simosa Oil Corporation	534,744	20.00	486,284	20.00
Formosa Environmental Technology Corporation	225,692	24.34	225,861	24.34
Formosa Plastics Synthetic Rubber	292,606	33.33	253,916	33.33
Formosa Plastics Synthetic Rubber (HK)	2,249,179	32.53	2,517,381	32.53
Formolight Technologies, Inc.	56,765	39.43	63,272	39.43
Formosa Resources Corporation	6,615,934	25.00	5,370,047	25.00
Formosa Group (Cayman) Limited	653,576	25.00	631,060	25.00
Subtotal	25,084,274		24,049,060	
<u>Investments in jointly controlled entities</u>				
Caltex Taiwan Corporation	87,880	50.00	99,251	50.00
Formosa Kraton Chemical Co., Ltd.	1,125,698	50.00	982,213	50.00
Idemitsu Formosa Specialty Chemicals Corp.	579,805	50.00	627,463	50.00
NKFG	658,063	50.00	2,479	100.00
Subtotal	2,451,446		1,711,406	
Total	\$46,702,097		\$48,654,195	

Note : Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

**A. Subsidiaries**

- (a) Investments in subsidiaries are presented based on the equity method in the individual financial statements with necessary evaluation adjustments.
- (b) The subsidiaries of the Company was not significant. The summary financial information of subsidiaries was listed below:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Net income (loss)	\$414,418	\$432,028
Other comprehensive income (loss), net	(5,340,858)	(794,036)
Comprehensive income (loss) for the period	\$(4,926,440)	\$(362,008)

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B. Investments in associates

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Net income (loss)	\$842,095	\$350,003
Other comprehensive income (loss), net	(1,050,971)	(537,720)
Comprehensive income (loss) for the period	<u>\$(208,876)</u>	<u>\$(187,717)</u>

- (b) The associates of the Company have no publicly quoted prices.
- (c) During October of 2018, Formosa Plastics Synthetic Rubber (HK) increased capital by issuing new shares. The Company did not acquire the newly issued shares proportionately to its original ownership interest and thus, its ownership interest changes. Therefore, the Company write off capital surplus and investments accounted for using equity method by NT\$36,153 thousand.

C. Investments in joint venture

- (a) The joint venture of the Company was not significant. The summary financial information of joint venture was listed below:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Net income (loss)	\$(26,636)	\$108,478
Other comprehensive income (loss), net	-	-
Comprehensive income (loss) for the period	<u>\$(26,636)</u>	<u>\$108,478</u>

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

- D. The associates and joint venture had no contingent liability, committed capital or provided guarantee on December 31, 2019 and 2018. 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\$5,171,246 thousand and NT\$5,186,111 thousand, both representing 1% of the individual total assets as of December 31, 2019 and 2018. The share of profit or loss of these associates and joint ventures under the equity method amounted to NT\$52,620 thousand and NT\$129,143 thousand, representing 0% of the individual income before tax for the years ended December 31, 2019 and 2018. The share of other comprehensive income of these associates and joint ventures under the equity method amounted to NT\$(108,055) thousand and NT\$(32,598) thousand, representing (8)% and 0% of the individual other comprehensive income for the years ended December 31, 2019 and 2018, respectively. The financial statements of Yi-Chi Construction Corporation, Formosa Environmental Technology Corporation, Simosa Oil Corporation, Formosa Plastics Synthetic Rubber, Formosa Plastics Synthetic Rubber(HK), Formosa Group (Cayman) Limited, and Formosa Kraton Chemical Co., Ltd. were audited by other auditors.

- E. To develop UVLED business in collaboration with other companies, the Company established NKFG in July 2018. The Company was the sole owner of NKFG initially. According to the investment agreement, NKFG has received capital injection on September 20, 2019. The Company and the other investor of NKFG both have 50% of ownership, therefore, NKFG is essentially a joint venture rather than a consolidated entity.

- A. Long-term equity investments are not pledged as collaterals for bank loans as of December 31, 2019 and 2018.

## **(9) Property, plant and equipment**

The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16. As of September 30, 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.

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	Land and land improvements	Buildings	Machinery and equipment	Other equipment	Transportation equipment	Construction in progress	Total
Cost							
2019.1.1	\$23,097,499	\$44,362,689	\$353,611,263	\$3,787,769	\$486,331	\$9,611,977	\$434,957,528
Additions	-	-	44,809	120,695	22,963	4,668,322	4,856,789
Transfer	-	395,394	8,647,368	135,464	88	(9,366,445)	(188,131)
Disposals	(23,161)	-	(75,677)	(36,356)	(15,360)	-	(150,554)
2019.12.31	<u>\$23,074,338</u>	<u>\$44,758,083</u>	<u>\$362,227,763</u>	<u>\$4,007,572</u>	<u>\$494,022</u>	<u>\$4,913,854</u>	<u>\$439,475,632</u>
2018.1.1	\$19,470,202	\$43,177,508	\$349,540,056	\$3,703,920	\$490,118	\$8,351,775	\$424,733,579
Additions	3,627,297	1,031,698	7,281	125,072	23,196	5,560,223	10,374,767
Transfer	-	153,899	4,132,754	13,368	-	(4,300,021)	-
Disposals	-	(416)	(68,828)	(54,591)	(26,983)	-	(150,818)
2018.12.31	<u>\$23,097,499</u>	<u>\$44,362,689</u>	<u>\$353,611,263</u>	<u>\$3,787,769</u>	<u>\$486,331</u>	<u>\$9,611,977</u>	<u>\$434,957,528</u>
Depreciation and impairment:							
2019.1.1	\$-	\$26,298,330	\$304,877,010	\$3,039,175	\$347,708	\$-	\$334,562,223
Depreciation	-	1,857,948	8,654,463	198,492	29,791	-	10,740,694
Transfer	-	(34)	(364)	366	32	-	-
Disposals	-	-	(71,924)	(36,344)	(15,360)	-	(123,628)
2019.12.31	<u>\$-</u>	<u>\$28,156,244</u>	<u>\$313,459,185</u>	<u>\$3,201,689</u>	<u>\$362,171</u>	<u>\$-</u>	<u>\$345,179,289</u>
2018.1.1	\$-	\$24,469,526	\$294,083,739	\$2,895,698	\$345,084	\$-	\$321,794,047
Depreciation	-	1,829,051	10,846,482	197,475	29,606	-	12,902,614
Transfer	-	-	(422)	422	-	-	-
Disposals	-	(247)	(52,789)	(54,420)	(26,982)	-	(134,438)
2018.12.31	<u>\$-</u>	<u>\$26,298,330</u>	<u>\$304,877,010</u>	<u>\$3,039,175</u>	<u>\$347,708</u>	<u>\$-</u>	<u>\$334,562,223</u>
Net carrying amount as of:							
2019.12.31	<u>\$23,074,338</u>	<u>\$16,601,839</u>	<u>\$48,768,578</u>	<u>\$805,883</u>	<u>\$131,851</u>	<u>\$4,913,854</u>	<u>\$94,296,343</u>
2018.12.31	<u>\$23,097,499</u>	<u>\$18,064,359</u>	<u>\$48,734,253</u>	<u>\$748,594</u>	<u>\$138,623</u>	<u>\$9,611,977</u>	<u>\$100,395,305</u>

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

Item	For the year ended December 31,2019	For the year ended December 31,2018
Construction in progress	\$1,663	\$2,354
Capitalization rate of borrowing costs	1.20%~3.00%	1.59%~3.03%

B. Please refer to Note 8 for details of the property, plant and equipment pledged as collaterals.

C. Interest expenses before capitalization were NT\$384,590 thousand and NT\$601,914 thousand for the years ended December 31, 2019 and 2018, respectively.

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**(10) Investment property and other non-current assets**

A. Investment property:

	<u>2019.1.1</u>	<u>Additions</u>	<u>Disposals</u>	<u>2019.12.31</u>
Land:				
Cost	<u>\$946,818</u>	<u>\$-</u>	<u>\$-</u>	<u>\$946,818</u>
	<u>2019.1.1</u>	<u>Impairment</u>	<u>Disposals</u>	<u>2019.12.31</u>
Land:				
Accumulated impairment	<u>\$572,737</u>	<u>\$7,837</u>	<u>\$-</u>	<u>\$580,574</u>
	<u>2019.1.1</u>			<u>2019.12.31</u>
Land:				
Net carrying amount as of	<u>\$374,081</u>			<u>\$366,244</u>
	<u>2018.1.1</u>	<u>Additions</u>	<u>Disposals</u>	<u>2018.12.31</u>
Land:				
Cost	<u>\$1,051,556</u>	<u>\$-</u>	<u>\$(104,738)</u>	<u>\$946,818</u>
	<u>2018.1.1</u>	<u>Impairment</u>	<u>Disposals</u>	<u>2018.12.31</u>
Land:				
Accumulated impairment	<u>\$588,008</u>	<u>\$42,046</u>	<u>\$(57,317)</u>	<u>\$572,737</u>
	<u>2018.1.1</u>			<u>2018.12.31</u>
Land:				
Net carrying amount as of	<u>\$463,548</u>			<u>\$374,081</u>

- (a) The Company's investment property was not pledged as collateral.
- (b) The Company 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 Company amounted to NT\$366,244 thousand and NT\$374,081 thousand as of December 31, 2019 and December 31, 2018, 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.

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B. Other non-current assets:

	As of	
	December 31,	December 31,
	2019	2018
	NTD	NTD
Refundable deposits	\$98,713	\$390,994
Others	79,516	610,525
Prepaid expense — land and equipment	4,074,965	3,887,918
Advance	105,048	93,756
Unamortized expense	1,237,563	1,430,611
Other assets — land	9,823	9,823
Prepaid expense — repairs and maintenance	1,859,106	1,130,112
Total	<u>\$8,176,734</u>	<u>\$7,553,739</u>

As of December 31, 2019 and 2018, the above land was temporarily registered under a third party's name, both at cost amounting to NT\$9,823 thousand. A lien was created on the land through the land administration authority of the government, and the registered amounts of the lien were both 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**

	Interest Rate	As of	
		December 31,	December 31,
		2019	2018
		NTD	NTD
Purchase loans	0.850%~1.200%	\$68,255	\$552,503
Others	1.07%	233,905	202,941
Total		<u>\$302,160</u>	<u>\$755,444</u>

A. The Company's unused short-term lines of credit amounted to NT\$28,381,915 thousand and NT\$2,945,250 thousand as of December 31, 2019 and 2018, respectively.

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

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**(12) Bonds payable**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Domestic unsecured unconvertible bonds	\$17,900,000	\$14,450,000
Less: current portion	(3,200,000)	(7,650,000)
Long-term bonds payable	<u>\$14,700,000</u>	<u>\$6,800,000</u>

As of December 31, 2019, the terms of the domestic bonds were as follows:

Domestic unsecured unconvertible bonds:

Item	Unsecured Bonds No.33	Unsecured Bonds No.34	Unsecured Bonds No.35		Unsecured Bonds No.36		
Type of bonds	Bond B	Bond B	Bond B	Bond C	Bond A	Bond B	Bond C
Issue date	2013.3.12	2013.06.26	2014.9.12	2014.9.12	2019.7.24	2019.7.24	2019.7.24
Principal amount	2,000,000	4,400,000	2,200,000	1,400,000	4,500,000	4,500,000	2,100,000
Ending balance	1,000,000	2,200,000	2,200,000	1,400,000	4,500,000	4,500,000	2,100,000
Face value	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
Maturity	7 years	7 years	10 years	12 years	5 years	7 years	10 years
Coupon rate	Fixed rate 1.37%	Fixed rate 1.41%	Fixed rate 1.90%	Fixed rate 1.99%	Fixed rate 0.72%	Fixed rate 0.78%	Fixed rate 0.87%
Interest payment	Annually	Annually	Annually	Annually	Annually	Annually	Annually
Repayment	Repay 50% of the principal at the end of the 6 <sup>th</sup> and 7 <sup>th</sup> year	Repay 50% of the principal at the end of the 6 <sup>th</sup> and 7 <sup>th</sup> year	Repay 50% of the principal at the end of the 9 <sup>th</sup> and 10 <sup>th</sup> year	Repay 50% of the principal at the end of the 11 <sup>th</sup> and 12 <sup>th</sup> year	Repay 50% of the principal at the end of the 4 <sup>th</sup> and 5 <sup>th</sup> year	Repay 50% of the principal at the end of the 6 <sup>th</sup> and 7 <sup>th</sup> year	Repay 50% of the principal at the end of the 9 <sup>th</sup> and 10 <sup>th</sup> year
Conversion exchange or stock warrants	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. 1010059946, January 7, 2013	Financial Supervisory Commission approved document No. 1020011470, April 11, 2013	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



**(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, 2019 and 2018, the expenses related to defined contribution plan amounted to NT\$237,492 thousand and NT\$225,508 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, 2019, the amount of contribution expected to be made in the following accounting year was NT\$50,861 thousand.

As at December 31, 2019 and 2018, the defined benefit plan of the Company was expected to be expired in 2035.

Amounts to recognize in profit or loss for the years ended December 31, 2019 and 2018 are summarized as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Current period service cost	\$46,589	\$46,861
Net interest on the net defined benefit liability (asset)	56,488	54,239
Subtotal	<u>\$103,077</u>	<u>\$101,100</u>

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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, 2019	December 31, 2018
Present value of defined benefit obligation	\$5,649,691	\$5,329,945
Fair value of plan assets	(841,802)	(771,891)
Other non-current liabilities — Accrued pension liabilities recognized on the balance sheets	\$4,807,889	\$4,558,054

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
2018.1.1	\$5,107,196	\$(718,175)	\$4,389,021
Current service cost	46,861	-	46,861
Interest expense (income)	63,840	(9,601)	54,239
Subtotal	5,217,897	(727,776)	4,490,121
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustment	141,268	-	141,268
Return on plan assets	-	(18,771)	(18,771)
Subtotal	141,268	(18,771)	122,497
Payments from the plan	(58,027)	52,559	(5,468)
Contributions by employer	-	(77,903)	(77,903)
Net liabilities (assets) transferred from associates	28,807	-	28,807
2018.12.31	5,329,945	(771,891)	4,558,054
Current service cost	46,589	-	46,589
Interest expense (income)	66,624	(10,136)	56,488
Subtotal	5,443,158	(782,027)	4,661,131
Remeasurement of defined benefit liabilities/assets			
Actuarial gains and losses arising from changes in financial assumptions	196,857	-	196,857
Experience adjustment	32,495	-	32,495
Return on plan assets	-	(24,463)	(24,463)
Subtotal	229,352	(24,463)	204,889
Payments from the plan	(24,977)	15,549	(9,428)
Contributions by employer	-	(50,861)	(50,861)
Net liabilities (assets) transferred from associates	2,158	-	2,158
2019.12.31	\$5,649,691	\$(841,802)	\$4,807,889

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

	December 31, 2019	December 31, 2018
Discount rate	1.00%	1.25%
Expected rate of salary increases	2.85%	2.85%

A sensitivity analysis for significant assumption as at December 31, 2019 and 2018 is, as shown below:

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate	\$-	\$(196,858)	\$-	\$(203,487)
increase by 0.25%				
Discount rate	205,950	-	213,532	-
decrease by 0.25%				
Future salary	862,812	-	900,569	-
increase by 1.0%				
Future salary	-	(735,827)	-	(758,425)
decrease by 1.0%				

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 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, 2019 and 2018, respectively. Each share has one vote and the right to receive dividends.

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B. Capital surplus

	As of	
	December 31, 2019	December 31, 2018
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 ventures and associates change in equity under equity method	153,141	139,488
Subsidiary change in equity	2,994	2,994
Others	529	231
Total	<u>\$31,399,948</u>	<u>\$31,385,997</u>

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 investments cannot be used 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
- (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 drafted by the board of directors under the ordinary shareholders' meeting.

The above special reserve includes:

- (a) Reserve recorded for special purposes

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- (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 Jin-Guan-Zheng-Fa-Zi 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, 2019 and 2018, the details of earnings distribution and dividends per share as proposed by the board meeting on March 9, 2020 and resolved by the shareholder's meeting on May 31, 2019, were as follows:

	Appropriation of earnings		Dividend per share	
	2019	2018	2019	2018
Legal reserve	\$3,679,821	\$6,009,022		
Common stock — cash dividend	27,625,283	45,724,607	\$2.90	\$4.80
Total	<u>\$31,305,104</u>	<u>\$51,733,629</u>		

Please refer to Note 6.18 for details of the bonus to employees.

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**(15) Operating revenues**

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Customer contract revenue		
Sales revenue		
Gasoline	\$91,655,291	\$105,857,288
Petrochemical products (ethylene and propylene, etc.)	172,076,920	220,775,605
Diesel oil	171,273,995	186,299,373
Jet fuel	41,842,167	46,289,767
Electricity	23,501,938	25,129,071
Steam	13,814,597	15,270,260
Others	128,714,476	164,819,020
Subtotal	642,879,384	764,440,384
Service revenues	945,551	1,052,834
Total	\$643,824,935	\$765,493,218

Analysis of revenue from contracts with customers during the year is as follows:

**(1) Disaggregation of revenue**

For the year ended December 31, 2019

	Petrochemical Division	Utility Division	Others	Total
Sales				
Gasoline	\$91,655,291	\$-	\$-	\$91,655,291
Petrochemical products (ethylene and propylene, etc.)	172,076,920	-	-	172,076,920
Diesel oil	171,273,995	-	-	171,273,995
Jet fuel	41,842,167	-	-	41,842,167
Electricity	-	23,501,938	-	23,501,938
Steam	-	13,814,597	-	13,814,597
Others	127,499,341	1,215,135	-	128,714,476
Subtotal	604,347,714	38,531,670	-	642,879,384
Service revenues	-	-	945,551	945,551
Total	\$604,347,714	\$38,531,670	\$945,551	\$643,824,935
Revenue recognition point:				
At a point in time	\$604,347,714	\$38,531,670	\$945,551	\$643,824,935

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For the year ended December 31, 2018

	Petrochemical Division	Utility Division	Others	Total
Sales				
Gasoline	\$105,857,288	\$-	\$-	\$105,857,288
Petrochemical products (ethylene and propylene, etc.)	220,775,605	-	-	220,775,605
Diesel oil	186,299,373	-	-	186,299,373
Jet fuel	46,289,767	-	-	46,289,767
Electricity	-	25,129,071	-	25,129,071
Steam	-	15,270,260	-	15,270,260
Others	163,577,112	1,241,908	-	164,819,020
Subtotal	722,799,145	41,641,239	-	764,440,384
Service revenues	48,676	-	1,004,158	1,052,834
Total	<u>\$722,847,821</u>	<u>\$41,641,239</u>	<u>\$1,004,158</u>	<u>\$765,493,218</u>

Revenue recognition point:

At a point in time	<u>\$722,847,821</u>	<u>\$41,641,239</u>	<u>\$1,004,158</u>	<u>\$765,493,218</u>
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(2) Contract balances

Contract liabilities — current

	As of		
	December 31, 2019	December 31, 2018	January 1, 2018
Sales of goods	<u>\$8,739</u>	<u>\$236,263</u>	<u>\$56,503</u>

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2019 and 2018 are as follows:

	For year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Revenue recognized during the year that was included in the balance at the beginning of the year	<u>\$236,263</u>	<u>\$56,503</u>

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(3) Transaction price allocated to unsatisfied performance obligations

The Company's contracts are all shorter than one year, there is not 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, 2019	For the year ended December 31, 2018
Operating expenses — Expected credit losses/ (gains)		
Accounts receivable	<u>\$(63,363)</u>	<u>\$(24,939)</u>

The Company 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 Company 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, 2019 and 2018 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, 2019 and 2018.
- B. The Company needs to consider the companying of receivables by past experiences and its loss allowance is measured by using a provision matrix, details as follows:

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	\$48,291,845	\$600,562	\$-	\$-	\$-		\$48,892,407
Loss ratio	1%	1%	-	-	-		
Lifetime expected credit losses	482,918	6,006	-	-	-		488,924
Total	<u>\$47,808,927</u>	<u>\$594,556</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>		<u>\$48,403,483</u>

As at December 31, 2018		Past due					
	Neither past due	Within 30 days	31-60 days	61-90 days	Over 90 days		Total
Gross carrying amount	\$53,078,165	\$2,269,226	\$-	\$-	\$44,504		\$55,391,895
Loss ratio	1%	1%	-	-	100%		
Lifetime expected credit losses	530,792	22,692	-	-	44,504		597,988
Total	<u>\$52,547,373</u>	<u>\$2,246,534</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>		<u>\$54,793,907</u>



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For the years ended December 31, 2019 and 2018, the movement in the provision for impairment of notes receivable and accounts receivable are as follows:

	Receivables
Balance as at January 1, 2019	\$597,988
Addition/(reversal) for the current period	(63,363)
Write off	(45,701)
Balance as at December 31, 2019	<u>\$488,924</u>
Balance as at January 1, 2018 (in accordance with IAS 39)	\$622,927
Transition adjustment to retained earnings as at January 1, 2018	-
Beginning balance (in accordance with IFRS 9)	622,927
Addition/(reversal) for the current period	(24,939)
Balance as at December 31, 2018	<u>\$597,988</u>

**(17) Lease**

**(1) Company as lessee (applicable to the disclosure requirement in IFRS 16)**

The Company has entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of more than one to twenty years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

The effect that leases have on the financial position, financial performance and cash flows of the Company 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, 2019	December 31, 2018(Note)
	NTD	NTD
Land	\$40,072	
Buildings	95,842	
Machinery and equipment	2,666	
Total	<u>\$138,580</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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(b) Lease liability

	As of	
	December 31, 2019	December 31, 2018(Note)
	NTD	NTD
Lease liability	\$139,853	
Current	\$34,944	
Non-current	104,909	

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

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the year ended December 31, 2019	For the year ended December 31, 2018(Note)
Land	\$10,199	
Buildings	22,715	
Machinery and equipment	2,666	
Total	\$35,580	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Income and costs relating to leasing activities

	For the year ended December 31, 2019	For the year ended December 31, 2018 (Note)
The expense relating to short-term leases	\$208,011	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

The Company has no committed short-term lease combination for the year ended December 31, 2019.

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D. Cash outflow relating to leasing activities

For the year ended December 31, 2019, the Company's total cash outflow for leases amounting to NT\$34,307 thousand and short-term leases NT\$208,011 thousand.

E. Other information relating to leasing activities

None.

(2) Operating lease commitments - Company as lessee (applicable to the disclosure requirement in IAS 17)

The Company has entered into commercial leases on certain land and Buildings. These leases have an average life of one to twenty years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2019 and 2018 are as follows:

	As of	
	December 31, 2019 (Note)	December 31, 2018
Not later than one year		\$215,051
Later than one year and not later than five years		145,889
Total		<u>\$360,940</u>

Operating lease expenses recognized are as follows:

	For the year ended December 31, 2019 (Note)	For the year ended December 31, 2018
Minimum lease payments		<u>\$260,143</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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(3) Company as lessor (applicable to the disclosure requirement in IFRS 16)

The Company 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, 2019	For the year ended December 31, 2018(Note)
Lease income for finance leases		
Finance income on the net investment in the lease	\$2,322	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

	As of	
	December 31, 2019	December 31, 2018(Note)
Not later than one year	\$15,051	
Later than one year but not later than two years	15,051	
Later than two years but not later than three years	15,051	
Later than three years but not later than four years	15,051	
Later than four years but not later than five years	15,051	
Later than five years	142,978	
Total undiscounted lease payments	218,233	
Less: Unearned finance income to finance leases	(35,304)	
Net investment in the lease (Finance lease receivables)	\$182,929	
Current	\$10,603	
Non-current	172,326	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

Function Description	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)
Employee benefits expense	\$4,969,773	\$2,860,172	\$7,829,945	\$5,223,346	\$2,935,275	\$8,158,621
Salaries and wages	4,319,173	2,514,119	6,833,292	4,584,738	2,607,483	7,192,221
Labor and health insurance	315,960	158,114	474,074	309,508	151,029	460,537
Pension	230,297	110,272	340,569	222,645	103,963	326,608
Director's remuneration	-	27,056	27,056	-	23,108	23,108
Other employee benefits expense	104,343	50,611	154,954	106,455	49,692	156,147
Depreciation and depletion	10,427,262	349,012	10,776,274	12,087,826	814,788	12,902,614
Amortization	1,494,702	104,225	1,598,927	1,817,660	125,018	1,942,678

Note:

- For the years ended December 31, 2019 and 2018, the Company had average 5,326 and 5,247 employees, which included 8 and 7 non-employee directors, respectively.
- It's necessary for the companies listed on TWSE and Taipei Exchange to disclose the following information:
  - The Company's average benefits expense were NT\$1,467 thousand for the year ended December 31, 2019. (the current employee benefits expense excluded director's remuneration / the current average number of employees excluded non-employee directors)  
The Company's average benefits expense were NT\$1,553 thousand for the year ended December 31, 2018. (the prior employee benefits expense excluded director's remuneration / the prior average number of employees excluded non-employee directors)
  - The Company's average salaries and wages were NT\$1,285 thousand for the year ended December 31, 2019. (the current salaries and wages / the current average number of employees excluded non-employee directors)  
The Company's average salaries and wages were NT\$1,373 thousand for the year ended December 31, 2018. (the prior salaries and wages / the prior average number of employees excluded non-employee directors)
  - The Company's average salaries and wages decreased by 6.38% for the year ended December 31, 2019. (the current average salaries and wages minus the prior average salaries and wages / the prior average salaries and wages)

The amortization recognized as non-operating income and expenses are NT\$5,748 thousand and NT\$8,065 thousand for the years ended December 31, 2019 and 2018, respectively.

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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 \$8,982 thousand, estimated as 0.02% of the Company's net profit and recognized as employee's compensation for the year ended December 31, 2019. According to resolution of the board on March 9, 2020, the compensation will be granted in cash.

The Company's board of directors' meeting on March 11, 2019, resolved to distribute \$14,905 thousand of employee compensation in cash, which was reported at the shareholders' meeting on May 31, 2019. No difference existed between the employee compensation distributed and disclosed in the financial statements of 2018.

**(19) Non-operating income and expenses**

**A. Other income**

	For the year ended December 31, 2019	For the year ended December 31, 2018
Rental income	\$1,149,026	\$1,183,604
Interest income		
Bank interest income	284,988	325,486
Interest income — due from affiliates	221,452	346,887
Interest income — financial leasing	2,322	-
Other interest income	25,229	43,028
Subtotal	533,991	715,401
Others	766,709	786,657
Dividends income	4,460,394	3,324,054
Total	\$6,910,120	\$6,009,716

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B. Other gains and losses

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Gains (losses) on disposal and abandon of property, plant and equipment	\$33,597	\$(8,882)
Gains (losses) on disposal of investment property	-	5,908
Foreign exchange (losses) gains, net	813,175	2,010,567
Impairment loss		
Investment property	(7,837)	(42,046)
Other gains (losses) — others	(181,871)	(169,570)
Gains (losses) on financial assets at fair value through profit or loss (Note)	27,105	219,831
Total	\$684,169	\$2,015,808

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

C. Financial costs

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Interest on borrowings from bank	\$5,809	\$118,576
Interest on bonds payable	206,147	286,954
Interbank loans with interest	5,983	4,329
Interest for lease liabilities	2,939	(Note)
Other interest expenses	162,049	189,701
Total financial costs	\$382,927	\$599,560

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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**(20) Components of other comprehensive income**

For the year ended December 31, 2019

		Reclassification	Other	Income tax relating	
	Arising during	adjustments	comprehensive	to components of	Other
	the period	during the period	income, before tax	other comprehensive	comprehensive
				income	income, net of tax
Items that will not be reclassified to					
profit or loss:					
Remeasurements of defined benefit	\$(204,889)	\$-	\$(204,889)	\$(40,978)	\$(163,911)
plans					
Unrealized gains (losses) from	7,884,613	-	7,884,613	-	7,884,613
equity instruments investments					
measured at fair value through					
other comprehensive income					
Share of other comprehensive	(5,637,605)	-	(5,637,605)	-	(5,637,605)
income of subsidiary, associates					
and joint ventures accounted for					
using equity method					
Items that may be reclassified					
subsequently to profit or loss:					
Gains (losses) on hedging instrument	95,703	(10,174)	85,529	17,106	68,423
Share of other comprehensive	(754,224)	-	(754,224)	-	(754,224)
income of subsidiary, associates					
and joint ventures accounted for					
using equity method					
Total of other comprehensive income	<u>\$1,383,598</u>	<u>\$(10,174)</u>	<u>\$1,373,424</u>	<u>\$(23,872)</u>	<u>\$1,397,296</u>



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For the year ended December 31, 2018

		Reclassification	Other	Income tax relating	
	Arising during	adjustments	comprehensive	to components of	Other
	the period	during the period	income, before tax	other comprehensive income	comprehensive income, net of tax
Items that will not be reclassified to					
profit or loss:					
Remeasurements of defined benefit					
plans	\$(122,497)	\$-	\$(122,497)	\$(56,785)	\$(65,712)
Unrealized gains (losses) from					
equity instruments investments					
measured at fair value through					
other comprehensive income	(8,569,451)	-	(8,569,451)	-	(8,569,451)
Share of other comprehensive					
income of subsidiary, associates					
and joint ventures accounted for					
using equity method	(2,226,589)	-	(2,226,589)	-	(2,226,589)
Items that may be reclassified					
subsequently to profit or loss:					
Gains (losses) on hedging instrument	(128,188)	5,775	(122,413)	(23,274)	(99,139)
Share of other comprehensive					
income of subsidiary, associates					
and joint ventures accounted for					
using equity method	894,833	-	894,833	-	894,833
Total of other comprehensive income	<u>\$(10,151,892)</u>	<u>\$5,775</u>	<u>\$(10,146,117)</u>	<u>\$(80,059)</u>	<u>\$(10,066,058)</u>

### (21) Income taxes

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2019 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

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

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**Income tax expense (income) recognized in profit or loss**

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Current income tax expense (income):		
Current income tax charge	\$6,744,487	\$15,414,010
Adjustments in respect of current income tax of prior periods	44,566	392,115
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	1,511,543	(197,373)
Deferred tax expense (income) relating to origination and reversal of tax credit	(187,818)	-
Tax expense (income) recognized in the period for previously unrecognized tax credit or tempory difference of prior periods	(10,688)	(525,649)
Deferred tax expense (income) relating to changes in tax rate	-	(664,003)
Total income tax expense (income)	\$8,102,090	\$14,419,100

**Income tax relating to components of other comprehensive income**

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Deferred tax expense (income):		
Cash flow hedge in an effective hedge interest hedging instruments	\$17,106	\$(24,483)
Remeasurements of defined benefit plans	(40,978)	(24,499)
Deferred tax expense (income) relating to changes in tax rate	-	(31,077)
Total	\$(23,872)	\$(80,059)

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

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	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Accounting profit before tax from continuing operations	\$44,900,303	\$74,509,325
Tax at the statutory income tax rate	8,980,061	14,901,865
Tax effect of revenues exempt from taxation		
Dividend income	(892,079)	(664,811)
Income (loss) from equity investments	(245,975)	(178,102)
Income (loss) from securities and futures exchange	-	(6,349)
Tax effect of revenues exempt from taxation	(9,952)	(44,069)
Tax effect of non-deductible expense	1,270	23,094
Others	9,140	-
Tax effect of deferred tax assets/liabilities	(198,506)	(525,649)
Surtax on undistributed earnings (2019:5% ; 2018:10%)	413,565	1,185,009
Other income tax adjustments	44,566	392,115
Deferred tax expense (income) relating to changes in tax rate	-	(664,003)
Total income tax expense (income) recognized in profit or loss	\$8,102,090	\$14,419,100

Deferred tax assets (liabilities) relate to the following:

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	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
Inventory evaluation	972,185	(687,144)	-	285,041
Hedging financial instruments sharing the same period (gains)	(2,671)	-	1,989	(682)
Hedging financial instruments sharing the same period losses	19,095	-	(19,095)	-
Non-current — defined benefit liability, net	830,908	9,539	40,978	881,425
Others	692,642	34,687	-	727,329
Deferred tax income (expense)		\$(1,313,037)	\$23,872	
Net deferred tax assets (liabilities)	\$5,405,872			\$4,116,707
Reflected in balance sheet as follows:				
Deferred tax assets	\$5,631,579			\$4,276,433
Deferred tax liabilities	\$(225,707)			\$(159,726)

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For the year ended December 31, 2018

		Deferred tax income (expense)	Deferred tax income (expense) recognized in other comprehensive income	Deferred tax income (expense) recognized in other comprehensive income
	Beginning balance as at January 1, 2018	recognized in profit or loss	comprehensive income	Ending balance as at December 31, 2018
Temporary differences				
Depreciation difference for tax purpose	\$3,170,055	\$(53,306)	\$-	\$3,116,749
Useful life difference of automated equipment	(193,403)	(7,273)	-	(200,676)
Foreign currency assets / liabilities losses (gains)	12,690	(35,050)	-	(22,360)
Inventory evaluation	222,533	749,652	-	972,185
Hedging financial instruments sharing the same period (gains)	(6,850)	-	4,179	(2,671)
Hedging financial instruments sharing the same period losses	-	-	19,095	19,095
Non-Current — defined benefit liability, net	681,600	92,523	56,785	830,908
Others	52,163	640,479	-	692,642
Deferred tax income (expense)		<u>\$1,387,025</u>	<u>\$80,059</u>	
Net deferred tax assets (liabilities)	<u>\$3,938,788</u>			<u>\$5,405,872</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$4,139,041</u>			<u>\$5,631,579</u>
Deferred tax liabilities	<u>\$(200,253)</u>			<u>\$(225,707)</u>

**Unrecognized deferred tax assets**

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized as they may not be used to offset taxable profits.

**Unrecognized deferred tax liabilities relating to the investment in subsidiaries**

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2019, and 2018, the Company did not have any taxable temporary differences that was not recognized as deferred tax liabilities.

**The assessment of income tax returns**

As of December 31, 2019, the assessment of the income tax returns of the Company was as follows:

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	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2017

**(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.

	<u>For the year ended December 31, 2019</u>	<u>For the year ended December 31, 2018</u>
	<u>NTD</u>	<u>NTD</u>
Basic/Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	<u>\$36,798,213</u>	<u>\$60,090,225</u>
Weighted average number of ordinary shares outstanding for basic/diluted earnings per share (in thousand)	<u>9,525,960</u>	<u>9,525,960</u>
Basic/Diluted earnings per share	<u>\$3.86</u>	<u>\$6.31</u>

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.

**7. RELATED PARTY TRANSACTIONS**

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

**Name and nature of relationship of the related parties**

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
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
Formosa Oil (Asia Pacific) Corporation	Subsidiary
Formosa Petrochemical Transportation Corporation	Subsidiary

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<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
FPCC Marine Corporation (Note)	Subsidiary
Mai-Liao Power Corporation	Associate
Mailiao Harbor Administration Corporation	Associate
Formosa Marine Corporation (Note)	Associate
Simosa Oil Corporation	Associate
Formosa Environmental Technology Corporation	Associate
Formosa Group (Cayman) Limited	Associate
Formosa Resources Corporation	Associate
Caltex Taiwan Corporation	Joint venture
Formosa Kraton Chemical Co., Ltd.	Joint venture
Idemitsu Formosa Specialty Chemicals Corp.	Joint venture
NKFG	Joint venture
Formosa FCFC Carpet Corporation	Other
Formosa Biomedical Technology Corp.	Other
Formosa BP Chemicals Corporation	Other
Formosa Taffeta Co., Ltd	Other
Hong Jing Resource Co., Ltd	Other
Nan Ya Printed Circuit Board Corporation	Other
Nan Chung Petrochemical Corp.	Other
Hwa Ya Power Corporation	Other
Formosa Heavy Industries Corporation	Other
National Petroleum Co., Ltd.	Other
Formosa Plastics Maritime Corporation	Other
Nan Ya Photonics Incorporation	Other
Formosa Falkor Engineering Corporation	Other
TMS Corp.	Other
Chang Gung Medical Foundation	Other
Formosa Ha tinh (Cayman) Limited	Other
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Other

Note : Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

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Significant transactions with related parties

**(1) Sales**

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Entity with joint control or significant influence over the Company		
Formosa Chemicals & Fibre Corporation	\$100,365,621	\$151,546,891
Formosa Plastics Corporation	89,392,189	108,251,482
Nan Ya Plastics Corporation	36,668,046	47,292,085
Subtotal	226,425,856	307,090,458
Associate	5,564,587	4,675,263
Joint venture	9,314,011	9,884,086
Subsidiary	14,801,796	15,218,381
Others	43,543,133	45,129,363
Total	\$299,649,383	\$381,997,551

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, 2019	For the year ended December 31, 2018
	NTD	NTD
Entity with joint control or significant influence over the Company	\$24,032,183	\$39,018,537
Joint venture	208	-
Others	697,295	736,433
Total	\$24,729,686	\$39,754,970

The Company 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, 2019	December 31, 2018
	NTD	NTD
Others		
National Petroleum Co., Ltd.	\$1,763,612	\$1,722,460
Total	1,763,612	1,722,460
Less: loss allowance	-	-
Net	\$1,763,612	\$1,722,460

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**(4) Accounts receivable – related parties**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Entity with joint control or significant influence over the Company		
Formosa Chemicals & Fibre Corporation	\$8,539,956	\$11,687,951
Formosa Plastics Corporation	7,535,639	8,653,783
Nan Ya Plastics Corporation	2,831,620	3,485,652
Subtotal	18,907,215	23,827,386
Associate	445,955	419,784
Joint venture	731,708	827,423
Subsidiary	1,337,188	1,294,644
Others	3,395,028	3,341,156
Total	24,817,094	29,710,393
Less: loss allowance	-	-
Net	\$24,817,094	\$29,710,393

**(5) Accounts payable – related parties**

	As of	
	December 31, 2019	December 31, 2018
	NTD	NTD
Entity with joint control or significant influence over the Company		
Formosa Chemicals & Fibre Corporation	\$1,187,616	\$2,373,456
Others	587,891	587,747
Subtotal	1,775,507	2,961,203
Associate	7,264	76,012
Joint venture	5,658	5,320
Others	63,569	94,698
Total	\$1,851,998	\$3,137,233



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**(6) Transaction of property, plant and equipment**

Commissioned construction

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

		For the year ended December 31, 2019	For the year ended December 31, 2018
	Items	NTD	NTD
Entity with joint control or significant influence over the Company	Maintenance	\$233,604	\$111,917
Entity with joint control or significant influence over the Company	Expansion of facilities	39,532	42,289
Others	Maintenance	291,412	329,939
Others	Expansion of facilities	999,809	581,885
Total		<u>\$1,564,357</u>	<u>\$1,066,030</u>

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 construction is verified as complete.

**(7) Financing**

Other receivables – due from affiliates

		As of	
		December 31, 2019	December 31, 2018
		NTD	NTD
Associate		<u>\$500,000</u>	<u>\$500,000</u>
Subsidiary			
FPCC Marine Corporation (Note)		<u>2,950,388</u>	<u>3,389,850</u>
Others			
Formosa Heavy Industries Corporation		<u>4,000,000</u>	<u>4,990,000</u>
Total		<u>\$7,450,388</u>	<u>\$8,879,850</u>

Note : Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

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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, 2019 and 2018, interest receivables from related parties were NT\$109,328 thousand and NT\$254,713 thousand, respectively. And interest charged at the rate of 1.414%~1.418% and 1.408%~1.414%, 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, 2019		December 31, 2018	
	Amount		Amount	
	NTD	%	NTD	%
Entity with joint control or significant influence over the Company	\$22,621	0.14	\$15,434	0.08
Associate	36,851	0.22	26,429	0.14
Subsidiary	3,615	0.02	4,876	0.03
Joint venture	13,531	0.08	6,585	0.03
Others	50,431	0.30	35,336	0.19
Total	\$127,049	0.76	\$88,660	0.47

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, 2019		December 31, 2018	
	Amount		Amount	
	NTD	%	NTD	%
Associate	\$21,086	0.14	\$21,249	0.16
Others	246,261	1.63	705,428	5.41
Total	\$267,347	1.77	\$726,677	5.57

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

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**(9) Lease**

A. Company as a lessee (applicable to the disclosure requirement in IFRS 16)

(a) Right-of-use asset

The carrying amount of right-of-use asset

	As of	
	December 31,	December 31,
	2019	2018(Note)
	NTD	NTD
Entity with joint control or significant influence over the Company	\$3,791	
Associate	127,077	
Total	<u>\$130,868</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(b) Lease liability

	As of	
	December 31,	December 31,
	2019	2018(Note)
	NTD	NTD
Entity with joint control or significant influence over the Company	\$3,823	
Associate	128,249	
Total	<u>\$132,072</u>	
Current	\$32,329	
Non-current	99,743	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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(c) Interest for lease liabilities

	For the year ended December 31, 2019	For the year ended December 31, 2018 (Note)
	NTD	NTD
Entity with joint control or significant influence over the Company	\$90	
Associate	2,683	
Total	<u>\$2,773</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(d) The expense relating to short-term leases

	For the year ended December 31, 2019	For the year ended December 31, 2018 (Note)
	NTD	NTD
Entity with joint control or significant influence over the Company	<u>\$53,279</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Company as a lessee (applicable to the disclosure requirement in IAS 17)

Rental expenses

Details of the office premises leased from related parties are as follows:

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	For the year ended		For the year ended	
	December 31, 2019		December 31, 2018	
			(Note)	
	Amount	%	Amount	%
	NTD		NTD	
Entity with joint control or significant influence over the Company			\$53,279	20.48

Rent of the office premises leased from related parties are based on the local standard and are payable semi-annually.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

**C. Company as a lessor (applicable to the disclosure requirement in IFRS 16)**

**(a) The revenue relating to short-term leases**

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

	For the year ended	For the year ended
	December 31, 2019	December 31, 2018
	(Note)	
	NTD	NTD
Entity with joint control or significant influence over the Company	\$164,835	
Associate	16,387	
Joint venture	32,485	
Others	1,875	
Total	\$215,582	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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(b) The income relating to finance leases

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

	For the year ended December 31, 2019	For the year ended December 31, 2018 (Note)
	NTD	NTD
Joint venture	<u>\$2,322</u>	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Company as a lessor (applicable to the disclosure requirement in IAS 17)

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

	For the year ended December 31, 2019 (Note)		For the year ended December 31, 2018	
	Amount	%	Amount	%
	NTD		NTD	
Entity with joint control or significant influence over the Company			\$171,801	14.52
Associate			16,387	1.38
Joint venture			33,030	2.79
Total			<u>\$221,218</u>	<u>18.69</u>

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

**(10) Other related party transactions**

A. Use of labor

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

		For the year ended December 31, 2019	For the year ended December 31, 2018
		NTD	NTD
Associate	Harbor labor force	\$1,665,479	\$1,701,064
Subsidiary	Labor	464,823	419,768
Joint venture	Refuel	80,095	60,397
Others	Labor	1,623	71,388
Total		<u>\$2,212,020</u>	<u>\$2,252,617</u>

The payments include harbor usage, towage, and fuel delivery. The payment is mutually agreed to be made in the following month by the monthly total.

B. Notes endorsements and guarantees

		As of	
		December 31, 2019	December 31, 2018
		NTD	NTD
Associate		\$10,762,895	\$22,511,923
Joint venture		1,235,000	2,750,000
Subsidiary		-	40,000
Others		20,753,559	15,915,686
Total		<u>\$32,751,454</u>	<u>\$41,217,609</u>

C. Stocks pledged to related parties (in thousand shares)

		As of	
		December 31, 2019	December 31, 2018
		Contents	
Subsidiary	Stocks of Formosa Chemicals & Fibre Corporation	-	36
Subsidiary	Stocks of Nan Ya Plastics Corporation	-	1,746
Total		<u>-</u>	<u>1,782</u>

The above stocks were pledged to Formosa Oil (Asia Pacific) Corporation as collaterals for bank loans in May 2003.

D. Property Transactions

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

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	Consideration	Gain / Loss	Consideration	Gain / Loss
Entity with joint control or significant influence over the Company	\$-	\$-	\$95	\$95
Others	60,225	30,493	-	-
Total	<u>\$60,225</u>	<u>\$30,493</u>	<u>\$95</u>	<u>\$95</u>

(e) Leased VLCC oil tanker and oil tanker

Leased VLCC oil tanker

The Company leased VLCC oil tankers from FPCC Marine Corporation (Note). The daily leasing cost is calculated based on “VESSEL’S FIFTEEN YESRS DEPRECEIATION CONVERTED TO DAILY OPERATING COST” or “VESSEL’S SALES AND LEASEBACK PLUS DAILY OPERATION MANAGING COST”. In 2019 and 2018, the cost of crude oil were US\$59,387 thousand and US\$54,624 thousand, respectively, which were recorded under operating cost and accrued freight expenses.

Leased oil tanker

Effective from January 1, 2012, the Company leased oil tankers from FPCC Marine Corporation (Note). The daily leasing cost is calculated based on “VESSEL’S DAILY FIXED-COST PLUS 10%”, approximately US\$33,500 per day. In 2019 and 2018, the cost of naphtha oil were US\$19,330 thousand and US\$22,540 thousand, which were recorded under operating cost and accrued freight expenses.

Note : Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

**(11)Key management personnel compensation**

	For the year ended December 31, 2019	For the year ended December 31, 2018
	NTD	NTD
Short-term employee benefits	<u>\$113,611</u>	<u>\$115,801</u>



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**8. PLEDGED ASSETS**

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

Pledged Assets	Contents	As of	
		December 31,	December 31,
		2019	2018
		NTD	NTD
Financial assets at fair value			
through other comprehensive income – current	Stock of Nan Ya Plastics Corporation	\$5,904,080	\$6,254,873
Financial assets at fair value			
through other comprehensive income – current	Stock of Formosa Chemicals & Fibre Corporation	-	3,780
Subtotal		5,904,080	6,258,653
Other current assets	Certificates of time deposit	41,091	41,046
Property, plant and equipment	Land	-	19,118,886
	Machinery and equipment	-	5,878,052
	Other equipment	-	145,467
Subtotal		-	25,142,405
Total		\$5,945,171	\$31,442,104

**9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES**

As of December 31, 2019, the Company's commitments and contingent liabilities were as follows:

- (1) Guarantee notes received from counterparties as collateral for payment, construction completion commitment and others for operational needs was NT\$587,080 thousand.
- (2) Guarantee notes issued for borrowings (financing) were NT\$154,829,654 thousand.
- (3) The unutilized portions of letters of credit issued by banks for importing raw materials were NT\$6,909,862 thousand.

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- (4) Due to the funding demand of the investments in Formosa Ha Tinh Steel Corporation, Formosa Group (Cayman) limited, an investee of the Company, issues US\$1 billion 10 years corporate bonds in April 14, 2015. The Company provides a guarantee of payment obligation with 25% of the bonds.
- (5) The Company invested in Formosa Ha Tinh (Cayman) Limited with an equity interest of 11.432% through its joint venture Formosa Petrochemical International (Cayman) Limited. 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 Company plans to apply a 7-year syndicated credit line led by Hua Nan Bank. To support the above credit line, the Company 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 Company provides loan guarantee according to equity interest.
- (6) To expand the investment in mineral resources and increase the level of working capital, the Company 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 Company provides loan guarantee according to equity interest.

### **10. SIGNIFICANT DISASTER LOSSES**

None.

### **11. SIGNIFICANT SUBSEQUENT EVENTS**

- (1) Considering the demands of future development, the Company's subsidiary FG INC. plans to increase capital by US\$43 million. According to the capital increase plan, the Company is going to proportionally increase its investment in FG INC. by US\$24.51 million, raising the investment amount from US\$210.9 million to US\$235.41 million.
- (2) In accordance with the Guidance of Economic Substance for Geographically Mobile Activities of BVI, the Company plans to adjust the investment structure of the subsidiary "FPCC Marine Corporation". The subsidiary will transfer each three vessel assets to newly established Liberian Corporations to run the vessel leasing business. Furthermore, the Company will dissolve "FPCC Marine Corporation".
- (3) To raise the long-term capital for investing domestic and oversea business, paying off the debt and increasing operating capital, the Company plans to issue unsecured unconvertible corporate bonds NT\$15 billion.

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**12. OTHERS**

**(1) Categories of financial instruments**

	As of	
	December 31,	December 31,
	2019	2018
Financial Assets	NTD	NTD
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$4,043,969	\$4,016,864
Financial assets at fair value through other comprehensive income	64,624,600	56,739,987
Financial assets at amortised cost		
Cash and cash equivalents (excluding cash on hand)	29,915,414	34,962,083
Notes and accounts receivable, net (including related party)	48,403,483	54,793,907
Financing lease receivables	182,929	(Note)
Other receivables	16,728,177	18,897,442
Subtotal	95,230,003	108,653,432
Financial assets for hedging	3,410	13,353
Total	<u>\$163,901,982</u>	<u>\$169,423,636</u>
	As of	
	December 31,	December 31,
	2019	2018
Financial Liabilities	NTD	NTD
Financial liabilities at amortized cost:		
Short-term borrowings	\$302,160	\$755,444
Notes and accounts payable (including related party)	13,361,072	20,291,022
Bonds payable (including current portion)	17,900,000	14,450,000
Long-term borrowings (including current portion)	139,853	(Note)
Subtotal	31,703,085	35,496,466
Financial liabilities for hedging	-	95,472
Total	<u>\$31,703,085</u>	<u>\$35,591,938</u>

Note : The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

**(2) Financial risk management objectives and policies**

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

The Company 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 Company 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 prices. Market prices comprise 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, there is usually interdependency between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

**Foreign currency risk**

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

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. 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 Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company'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:

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When NTD appreciate/depreciate against US dollars by NT\$1, the profit decreases/increases by NT\$336,854 thousand and NT\$633,077 thousand for the years ended December 31, 2019 and 2018, 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investments with variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company 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\$172 thousand and NT\$1,387 thousand for the years ended December 31, 2019 and 2018, respectively.

### **Equity price risk**

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed equity securities and unlisted equity securities are classified under fair value through profit or loss and fair value through other comprehensive income. The Company 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 Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.

The Company 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\$592,398 thousand and NT\$511,296 thousand for the years ended December 31, 2019 and 2018, on the profit/loss or equity attributable to the Company.

**(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 Company 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 Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc.

Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2019 and 2018, accounts receivable from top ten customers represented 64.83% and 71.09% of the total accounts receivable of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

The Company did not hold any debt instrument investments which were measured at fair value through profit or loss for the year ended December 31, 2019.

**(5) Liquidity risk management**

The Company'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 Company'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.

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**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, 2019							
Borrowings	\$306,813	\$-	\$-	\$-	\$-	\$-	\$306,813
Accounts payable	13,361,072	-	-	-	-	-	13,361,072
Bonds payable	3,242,240	-	-	3,394,220	3,394,220	8,105,600	18,136,280
Lease liabilities	37,247	34,483	33,210	32,209	8,252	-	145,401
December 31, 2018							
Borrowings	\$757,710	\$-	\$-	\$-	\$-	\$-	\$757,710
Accounts payable	20,291,022	-	-	-	-	-	20,291,022
Bonds payable	7,764,750	3,248,000	-	-	-	3,654,000	14,666,750

**Derivative financial instruments**

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2019					
Inflows	\$3,410	\$-	\$-	\$-	\$3,410
Outflows	-	-	-	-	-
Net	<u>\$3,410</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$3,410</u>
December 31, 2018					
Inflows	\$13,353	\$-	\$-	\$-	\$13,353
Outflows	(95,472)	-	-	-	(95,472)
Net	<u>\$(82,119)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(82,119)</u>

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 Decemberr 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	\$755,444	\$726,677	\$14,450,000	\$174,160	\$1,376,778	\$17,483,059
Cash flows	(453,284)	(459,330)	3,450,000	(34,307)	(29,087)	2,473,992
Non-cash changes	-	-	-	-	(299)	(299)
2019.12.31	<u>\$302,160</u>	<u>\$267,347</u>	<u>\$17,900,000</u>	<u>\$139,853</u>	<u>\$1,347,392</u>	<u>\$19,956,752</u>

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Reconciliations of the liabilities for the year ended December 31, 2018:

	Short-term loans	Other payable to related parties (including due to affiliates)	Long-term loans (including current portion)	Bonds payable (including current portion)	Increase (decrease) in other non- current liabilities	Total liabilities from financing activities
2018.1.1	\$576,353	\$198,265	\$15,896,216	\$25,700,000	\$1,339,609	\$43,710,443
Cash flows	179,091	528,412	(15,896,216)	(11,250,000)	37,192	(26,401,521)
Non-cash changes	-	-	-	-	(23)	(23)
2018.12.31	<u>\$755,444</u>	<u>\$726,677</u>	<u>\$-</u>	<u>\$14,450,000</u>	<u>\$1,376,778</u>	<u>\$17,308,899</u>

**(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 receivables, 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 and bonds) at the reporting date.
- c. Fair value of equity instruments without market quotations (including unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as recent fund raising activities, valuation of similar companies, individual company's development, market conditions and other economic indicators.
- d. The fair value of bank loans, corporate bonds and lease payables 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, beneficiary certification, bonds and futures).



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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 Company'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 note 12(9).

(8) Derivatives financial instruments the Company 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 Company is as follows:

### **December 31, 2019**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	59,239,822	-	5,384,778	64,624,600
Financial assets for hedging				
Energy commodity swap contracts	3,410	-	-	3,410

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December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$-	\$4,016,864	\$-	\$4,016,864
Financial assets at fair value through other comprehensive income				
Investments in equity instruments measured at fair value through other comprehensive income	51,129,629	-	5,610,358	56,739,987
Financial assets for hedging				
Energy commodity swap contracts	13,353	-	-	13,353
Financial liabilities:				
Financial liabilities for hedging				
Energy commodity swap contracts	\$95,472	\$-	\$-	\$95,472

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

The Company had no recurring assets and liabilities transfer between level 1 input and level 2 input for the years ended December 31, 2019 and 2018.

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

	<u>Asset</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
2019.1.1	\$5,610,358
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(225,580)
2019.12.31	<u>\$5,384,778</u>
	<u>Asset</u>
	<u>At fair value through other comprehensive income</u>
	<u>Stocks</u>
2017.12.31	\$-
Effects of retrospective application and retrospective restatement	7,070,101
2018.1.1	7,070,101
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(1,459,743)
2018.12.31	<u>\$5,610,358</u>

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### 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, 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	14.02%~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 Company's equity by NT\$591,950 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 Company's equity by NT\$41,267 thousand

As at December 31, 2018:

	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	11.82%~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 Company's equity by NT\$598,429 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 Company's equity by NT\$47,545 thousand

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

The Company'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 Company'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, 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
Only disclose fair value of liabilities:				
Loans	\$-	\$302,160	\$-	\$302,160
Bonds payable	-	17,900,000	-	17,900,000

##### **December 31, 2018**

	Level 1	Level 2	Level 3	Total
Only disclose fair value of assets:				
Investment property				
(please refer to note 6(10))	\$-	\$-	\$374,081	\$374,081
Only disclose fair value of liabilities:				
Loans	\$-	\$755,444	\$-	\$755,444
Bonds payable	-	14,450,000	-	14,450,000

#### **(10) Significant assets and liabilities denominated in foreign currencies**

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

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	December 31, 2019			December 31, 2018		
	Foreign	Exchange rate	NTD	Foreign	Exchange rate	NTD
	currency			currency		
Financial assets						
Monetary items:						
USD	\$702,102	30.106	\$21,137,483	\$1,125,557	30.733	\$34,591,743
EUR	202	33.690	6,805	289	35.167	10,163
YEN	12,946	0.276	3,573	8,123	0.277	2,250
Long-term equity						
investments —						
equity method						
USD	\$674,692	30.106	\$20,312,277	\$792,435	30.733	\$24,353,905
Financial liabilities						
Monetary items:						
USD	\$365,248	30.106	\$10,996,156	\$492,480	30.733	\$15,135,388
EUR	431	33.690	14,520	17,847	35.167	627,625
YEN	82,383	0.276	22,738	310,526	0.277	86,016

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\$813,175 thousand and NT\$2,010,567 thousand for the years ended December 31, 2019 and 2018, respectively.

### **(11) Capital management**

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

## **13. OTHER DISCLOSURE**

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**(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	\$10,000,000	\$6,000,000	\$-	-	(2)	Need for operating	N/A	N/A	N/A	Financing to individual entity is limited to 10% of the Company's net asset 33,022,306 thousand; financing to related party and party with business transaction is limited to 25% of the Company's net asset 82,555,765 thousand; financing to others is limited to 20% of the Company's net asset 66,044,612 thousand.	Financing to others is limited to 50% of the Company's net asset 165,111,531 thousand; financing to nonbusiness but in need for capital is limited to 40% of the Company's net asset 132,089,224 thousand.
0	The Company	Nan Ya Plastics Corporation	Other receivables from related parties	Yes	10,000,000	6,000,000	-	-	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Chemicals & Fibre Corporation	Other receivables from related parties	Yes	10,000,000	6,000,000	-	-	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Marine Corporation	Other receivables from related parties	Yes	1,000,000	500,000	500,000	1.414~ 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	8,967,826	8,305,686	5,355,686	1.414~ 1.418	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Group Ocean Marine Investment Corporation	Other receivables from related parties	No	3,111,228	2,448,720	1,908,720	1.414~ 1.418	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Nan Ya Technology Corporation	Other receivables from related parties	No	1,500,000	-	-	-	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Heavy Industries Corporation	Other receivables from related parties	Yes	10,200,000	7,500,000	4,000,000	1.414~ 1.418	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Oil (Asia Pacific) Corporation	Other receivables from related parties	Yes	1,000,000	1,000,000	-	-	(2)	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Petrochemical Transportation Corporation	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 9)	Other receivables from related parties	Yes	5,700,000	5,000,000	2,950,388	1.414~ 1.418	(2)	Need for operating	N/A	N/A	N/A		
					Total	\$43,004,406	\$14,714,794								

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- 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: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

### B. Endorsement/guarantee provided to others

No. (Note1)	Endorser/ Guarantor	Receiving Party		Limit of the Endorsement / Guarantee Amount for Receiving Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Actual Amount Borrowed (Note 6)	Amount of Collateral (Note 7)	Percentage (Note 8)	Limit on the Endorsement/Guarantee Amount (Note 3)	Parent Company Endorsed / Guaranteed for the Subsidiaries (Note 7)	Subsidiaries Endorsed/ Guaranteed for the Parent Company (Note 7)	Endorsement or Guarantee for Entities in China (Note 7)
		Company Name (Note2)	Relationship (Note2)										
0	The Company	Formosa Oil (Asia Pacific) Corporation	(2)	\$214,644,990	\$40,000	\$-	\$-	N/A	0.00	The Company may provide endorsement/guarantee to others but shall not exceed 130% of its net assets. The limit is 429,289,979 thousand. For endorsement/guarantee to individual entity, the amount is limited to 50% of the limit.	Y	N	N

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No. (Note1)	Endorser/ Guarantor	Receiving Party		Limit of the Endorsement / Guarantee Amount for Receiving Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Actual Amount Borrowed (Note 6)	Amount of Collateral (Note 6)	Percentage (Note 6)	Limit on the Endorsement/Guarantee Amount (Note 3)	Parent Company Endorsed / Guaranteed for the Subsidiaries (Note 7)	Subsidiaries Endorsed/ Guaranteed for the Parent Company (Note 7)	Endorsement or Guarantee for Entities in China (Note 7)
		Company Name (Note2)	Relationship (Note2)										
0	The Company	Formosa Kraton Chemical Co., Ltd.	(6)	214,644,990	2,750,000	1,235,000	1,235,000	N/A	0.37	"	N	N	N
0	The Company	Formosa Resources Corporation	(6)	214,644,990	3,398,290	3,236,395	3,236,395	N/A	0.98	"	N	N	N
0	The Company	Formosa Group (Cayman) Limited	(6)	214,644,990	19,315,625	7,526,500	7,526,500	N/A	2.28	"	N	N	N
0	The Company	Formosa Ha Tinh (Cayman) Limited	(6)	214,644,990	21,791,720	20,753,559	20,753,559	N/A	6.28	"	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 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.



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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, 2019 (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, 2019				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	\$13,199,744	2.07%	99.80	
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	13,046,810	2.26%	72.80	(Note 5)
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	4,249,663	0.83%	87.50	
The Company	Stock — National Petroleum Co., Ltd.	Others	Financial assets at fair value through other comprehensive income-current	20,000	900,000	6.47%	45.00	
The Company	Stock — Nan Ya Technology Corporation	-	Financial assets at fair value through other comprehensive income-current	334,815	27,923,605	10.89%	83.40	
The Company	Fund — Mega USD Fend-Shou Private Market Fund	-	Financial assets at fair value through profit or loss-current	12,478	4,043,969	-	324.09	
The Company	Stock — Nan Ya Photonics Inc.	Others	Financial assets at fair value through other comprehensive income-non-current	6,591	109,214	14.30%	16.57	

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Company	Type and Name of the Securities (Note 1)	Relationship (Note 2)	Financial Statement Account	As of December 31, 2019				Note
				Shares	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value (Note 4)	
The Company	Stock — Asia Pacific Investment Corporation	-	Financial assets at fair value through other comprehensive income-non-current	8,950	310,386	2.11%	34.68	
The Company	Stock — Formosa Network Technology Corporation	-	Financial assets at fair value through other comprehensive income-non-current	2,925	72,959	12.50%	24.94	
The Company	Stock — Formosa Heavy Industries Corporation	Others	Financial assets at fair value through other comprehensive income-non-current	24,981	258,807	1.26%	10.36	
The Company	Stock — Formosa Ocean Group Marine Investment Corporation	-	Financial assets at fair value through other comprehensive income-non-current	3	4,587,084	19.00%	1,749,460	
The Company	Stock — Amtrust Capital Corporation	-	Financial assets at fair value through other comprehensive income-non-current	5,000	26,578	3.91%	5.32	
The Company	Stock — Mega Growth Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	2,500	19,750	1.97%	7.90	

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.

Note 5: Stocks for collateral are as follows:

Holding Nan Ya Plastics Corporation 179,214 thousand shares with 81,100 thousand shares for collateral.

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

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Company	Securities Category (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	As January 1, 2019		Purchase (Note 3)		Sell (Note 3)				As December 31, 2019 (Note 6)	
					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.	Subsidiary	11	\$3,785,225 (Note 5)	-	\$1,319,949	-	\$-	\$-	\$-	11	\$5,105,174 (Note 5)
The Company	Stock	Investments accounted for using the equity method	NKFG	Joint venture	1,500	15,000 (Note 5)	81,600	816,000	-	-	-	-	83,100	831,000 (Note 5)
The Company	Stock	Investments accounted for using the equity method	Formosa Resources Corporation	Associate	584,594	5,845,940 (Note 5)	157,000	15,700,000	-	-	-	-	741,594	7,415,940 (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 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.

### E. Acquisition of property with the amount exceeding NT\$300 million or 20% of the Company's paid-in capital:

Company	Property Name	Transaction Date	Transaction Amount	Status Payment	Counterparty	Relationship with the company	Disclosure of Information on Previous Transfer of Property is Required for Related Parties who are also the Counterparty				Reference for Determining Price	Purpose of Acquisition and Current Condition	Other
							Owner	Relationship with the Company	Date of Transfer	Amount			
The Company	The engineering of desalination plant	2019.08.05	\$1,900,397	Unpaid	Wanchi Steel Industrial Co LTD.	N/A	-	-	-	-	Open bid	Desalination plant construction	N/A

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- Note 1: Acquisition of assets, which is regulated to be appraisal, should note the appraisal results in the "References for Determining Price" column.
- Note 2: 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 3: Transaction date is the earliest date of the contract date, payment date, deal closing date, transfer date, board resolution date or another date that the transaction counterparty and transaction amount can be determined.

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	\$89,392,189	13.84	30 days after receiving the goods	N/A	N/A	\$7,535,639	16.57	
			Purchases	6,910,491	1.27				501,512	3.75	
The Company	Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	Sales	36,668,046	5.68	30 days after receiving the goods	N/A	N/A	2,831,620	6.22	
			Purchases	1,149,108	0.21				86,379	0.65	
The Company	Formosa Chemicals & Fibre Corporation	Entity with joint control or significant influence over the Company	Sales	100,365,621	15.54	30 days after receiving the goods	N/A	N/A	8,539,956	18.77	
			Purchases	15,972,584	2.93				1,187,616	8.88	
The Company	Formosa Marine Corporation	Associate	Sales	249,193	0.04	30 days after receiving the goods	N/A	N/A	19,157	0.04	
			Purchases	-	-				-	-	
The Company	National Petroleum Co., Ltd.	Others	Sales	20,406,526	3.16	45 days after receiving the goods	N/A	N/A	1,927,818	4.24	
			Purchases	-	-				1,763,612	99.84	
									(Notes receivable)		
									-	-	

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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 Oil (Asia Pacific) Corporation	Subsidiary	Sales Purchases	14,801,796 -	2.29 -	30 days after receiving the goods	N/A	N/A	1,337,188 -	2.94 -	
The Company	Formosa Taffeta Co., Ltd	Others	Sales Purchases	10,726,911 19,311	1.66 -	30 days after receiving the goods	N/A	N/A	440,852 -	0.97 -	
The Company	Nan Chung Petrochemical Corp.	Others	Sales Purchases	5,937,409 -	0.92 -	30 days after receiving the goods	N/A	N/A	571,700 -	1.26 -	
The Company	Caltex Taiwan Corporation	Joint venture	Sales Purchases	8,486,226 -	1.31 -	30 days after receiving the goods	N/A	N/A	693,369 -	1.52 -	
The Company	Simosa Oil Corporation	Associate	Sales Purchases	4,953,207 -	0.77 -	30 days after receiving the goods	N/A	N/A	387,145 -	0.85 -	
The Company	Formosa BP Chemicals Corporation	Others	Sales Purchases	2,092,749 545,116	0.32 0.10	30 days after receiving the goods	N/A	N/A	218,366 57,431	0.48 0.43	
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Others	Sales Purchases	2,722,620 -	0.42 -	30 days after receiving the goods	N/A	N/A	218,718 -	0.48 -	
The Company	TMS Corp.	Others	Sales Purchases	1,540,852 -	0.24 -	30 days after receiving the goods	N/A	N/A	11,050 -	0.02 -	
The Company	Formosa Kraton Chemical Co., Ltd.	Joint venture	Sales Purchases	727,350 -	0.11 -	30 days after receiving the goods	N/A	N/A	6,445 -	0.01 -	
The Company	Mai-Liao Power Corporation	Associate	Sales Purchases	194,961 -	0.03 -	30 days after receiving the goods	N/A	N/A	5,813 -	0.01 -	
The Company	Idemitsu Formosa Specialty Chemicals Corporation	Joint venture	Sales Purchases	100,435 -	0.02 -	30 days after receiving the goods	N/A	N/A	31,894 -	0.07 -	

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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	Mailiao Harbor Administration Corporation	Associate	Sales Purchases	167,221 -	0.03 -	30 days after receiving the goods	N/A	N/A	33,840 -	0.07 -	
The Company	Nan Ya Photonics Inc.	Others	Sales Purchases	- 103,530	- 0.02	30 days after receiving the goods	N/A	N/A	- 5,529	- 0.04	

### 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	\$8,539,956	12.23	-	-	\$8,539,956	N/A	
The Company	Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	7,535,639	12.32	-	-	7,535,639	N/A	
The Company	Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	2,831,620	12.17	-	-	2,831,620	N/A	
The Company	National Petroleum Co., Ltd.	Others	3,691,430	5.47	-	-	3,691,430	N/A	
The Company	Formosa Oil (Asia Pacific) Corporation	Subsidiary	1,337,188	11.04	-	-	1,337,188	N/A	
The Company	Formosa Taffeta Co., Ltd	Others	440,852	21.71	-	-	440,852	N/A	
The Company	Caltex Taiwan Corporation	Joint venture	693,369	9.30	-	-	693,369	N/A	

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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	Formosa BP Chemicals Corporation	Others	218,366	13.08	-	-	218,366	N/A	
The Company	Simosa Oil Corporation	Associate	387,145	14.60	-	-	387,145	N/A	
The Company	Nan Chung Petrochemical Corp.	Others	571,700	13.01	-	-	571,700	N/A	
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Others	218,718	13.49	-	-	218,718	N/A	
	Other receivables from related parties								
The Company	Formosa Heavy Industries Corporation	Others	4,000,000	-	-	-	1,300,000	N/A	
The Company	Formosa Marine Corporation	Associate	500,000	-	-	-	100,000	N/A	
The Company	FPCC Marine Corporation (Note)	Subsidiary	2,950,388	-	-	-	60,846	N/A	

Note : Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

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

J. Significant intercompany transactions between consolidated entities:

No.	Company name	Counterparty	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	Formosa Oil (Asia Pacific) Corporation	1	Sales revenue	\$14,801,796	Prices similar to those with non-related parties	2.29%
				Accounts receivable	1,337,188	Pay in the following month	0.34%
1	Formosa Oil (Asia Pacific) Corporation	The Company	2	Labor force revenue	67,348	Pay in the following month	0.01%
2	Formosa Petrochemical Transportation Corporation	The Company	2	Labor force revenue	397,475	Pay in the following month	0.06%
				Accounts receivable	13,156	-	-

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No.	Company name	Counterparty	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
3	FPCC Marine Corporation (Note 5)	The Company	2	Labor force revenue	2,538,188	Pay in the following month	0.39%
				Accounts receivable	440,290		0.11%
				Other payables	2,950,388		0.74%
4	FG INC.	FPCC USA, INC.	3	Other payables	240,848		0.06%

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: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

## (2) Investee information

### A. Names, locations and related information of investee companies as of December 31, 2018 (excluding Mainland China)

Investor	Investee (Note 1 + 2)	Region	Main Business	Original cost		At the end of period			Investees company net income (Note 2(2))	Share of Profits/Losses (Note 2(3))	Note
				Balance at December 31, 2019	Balance at December 31, 2018	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	1,453,616	288,624	288,624	
The Company	Formosa Petrochemical Transportation Corporation	ROC	Transportation	176,019	176,019	19,378	88.00	303,225	58,184	51,202	
The Company	FPCC USA, INC.	US	Oil drilling	1,493,738	1,350,885	10	100.00	849,571	50,412	50,412	
The Company	FPCC Marine Corporation (Note 3)	BVI	Ship chartering	100,440	100,440	10	100.00	384,702	99,846	99,846	
The Company	Formosa Petrochemical International (Cayman) Limited	Cayman	Investing	19,232,310	19,232,310	50	100.00	11,220,776	(80)	(80)	
The Company	FG INC.	US	Investing	5,105,174	3,785,225	11	57.00	4,954,487	(132,608)	(75,586)	



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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, 2019	Balance at December 31, 2018	Number of shares (in thousand)	Percentage	Amount			
The Company	Mai-Liao Power Corporation	ROC	Electricity generation	5,985,979	5,985,979	547,070	24.94	11,051,494	2,199,499	548,641	
The Company	Yi-Chi Construction Corporation	ROC	Construction	80,500	80,500	8,050	40.55	89,751	876	355	
The Company	Mailiao Harbor Administration Corporation	ROC	Harbor manage	1,348,137	1,348,137	98,907	44.96	2,452,177	878,589	394,995	
The Company	Formosa Development Corporation	ROC	Development of land	229,970	229,970	42,179	45.99	759,060	71,925	33,075	
The Company	Formosa Marine Corporation	ROC	Transportation	20,000	20,000	3,238	20.00	103,296	556,804	111,360	
The Company	Simosa Oil Corporation	ROC	Retail of other oil products and manufacturing	54,000	54,000	41,748	20.00	534,744	283,899	56,780	
The Company	Caltex Taiwan Corporation	ROC	Retail of petrochemical products and airport refueling	21,501	21,501	2,400	50.00	87,880	103,210	51,605	
The Company	Formosa Environmental Technology Corporation	ROC	Crop cultivating, Disposals of waste and sewage	417,145	417,145	41,714	24.34	225,692	366	89	
The Company	Formosa Plastics Synthetic Rubber	ROC	Synthetic Rubber Manufacturing	446,000	400,000	44,600	33.33	292,606	(2,050)	(688)	
The Company	Formosa Plastics Synthetic Rubber(HK)	HK	Investing	4,192,221	4,192,221	135,000	32.53	2,249,179	(564,872)	(183,753)	
The Company	Formosa Kraton Chemical Co., Ltd.	ROC	Synthetic Rubber Manufacturing	1,237,500	1,237,500	123,750	50.00	1,125,698	286,970	143,485	
The Company	Formolight Technologies, Inc.	ROC	LED	80,361	80,361	8,036	39.43	56,765	(9,282)	(3,659)	
The Company	Formosa Resources Corporation	ROC	Mining	7,415,940	5,845,940	741,594	25.00	6,615,934	(605,807)	(151,452)	
The Company	Formosa Group (Cayman) Limited	Cayman	Investing	377	377	13	25.00	653,576	145,410	36,352	
The Company	Idemitsu Formosa Specialty Chemicals Corp.	ROC	Retail of petrochemical products	750,000	750,000	75,000	50.00	579,805	(95,317)	(47,658)	
The Company	NKFG	ROC	Electronic components manufacturing & selling	831,000	15,000	83,100	50.00	658,063	(333,353)	(174,068)	
Formosa Oil (Asia Pacific) Corporation	Formosa Falkor Engineering Corporation	ROC	Piping component	11,500	11,500	1,150	50.00	7,516	(4,637)	(2,405)	
Formosa Oil (Asia Pacific) Corporation	TMS Corp.	ROC	Vehicle and parts export and import	40,000	40,000	3,430	49.00	48,288	12,894	6,452	

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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, 2019	Balance at December 31, 2018	Number of shares (in thousand)	Percentage	Amount			
Formosa Oil (Asia Pacific) Corporation	Whale Home International Corp.	ROC	Retail of petrochemical	167,323	158,891	16,463	53.80	176,184	8,701	4,617	
Formosa Petrochemical Transportation Corporation	Whale Home International Corp.	ROC	Retail of petrochemical	48,209	48,209	4,801	15.69	51,382	8,701	1,365	
FPCC USA, INC.	NEUMIN OIL AND GAS, LLC	US	Oil drilling	-	305,191	-	-	-	-	-	
FG INC.	FG LA LLC	US	Petrochemical products manufacturing & selling	8,197,065	6,495,813	-	100.00	8,010,610	(154,897)	(154,897)	
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 filled in each investee net income.
- (3) In "Share of Profits/Losses" column only need to filled in the company recognized each subsidiaries and :the company under equity method's profits or loss. Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

Note 3: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

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(Note 1), Formosa Petrochemical International (Cayman) Limited, FG INC., FG LA LLC and Formosa Petrochemical Marine Company Limited(Note 2). Although the total assets and total operating revenue has not reached 10% of the company's account, but the significant transaction should be disclosed.

Note 1: Formosa Dredging Corporation was renamed FPCC Marine Corporation on May 14, 2019.

Note 2: Formosa Petrochemical Marine Company Limited has been dissolved on September 20,2019.

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(a) Financing provided to others

No (Note 1)	Creditor	Borrower (Note 2)	General Leger account	Related party	Maximum outstanding balance during the year ended December 31, 2019 (Note 3)	Balance at December 31, 2019 (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	Whale Home International Corp.	Other receivables from related parties	yes	\$50,000	\$1,700	\$1,700	1.408~1.414	(2)	Need for operating	N/A	N/A	N/A	\$363,404	\$726,808
2	FG LA LLC	FPCC USA, INC.	Other receivables from related parties	yes	173,866	-	-	2.796~3.169	(2)	Need for operating	N/A	N/A	N/A	801,061	24,031,830
3	FG INC.	FPCC USA, INC.	Other receivables from related parties	yes	376,920	240,848	240,848	2.405~2.904	(2)	Need for operating	N/A	N/A	N/A	869,208	26,076,246

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.

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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.

(b)Endorsement/guarantee provided to others for the year ended December 31, 2019: None.

(c)Securities held as of December 31, 2019:

Holding Company	Type and Name of the Securities	Relationship	Financial Statement Account	As of December 31, 2019			
				Shares (thousands)	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	516	\$23,212	0.17%	45.00
Formosa Oil (Asia Pacific) Corporation	Stock—North-Star Petroleum Co., Ltd.	-	Financial assets at fair value through other comprehensive income – current	10,000	166,000	5.21%	16.60
Formosa Oil (Asia Pacific) Corporation	Stock—Tai Yi Feng Corporation	-	Financial assets at fair value through other comprehensive income – non-current	1,500	28,170	5.00%	18.78
Formosa Petrochemical International (Cayman) Limited	Stock—Formosa Ha Tinh (Cayman) Limited	Others	Financial assets at fair value through other comprehensive income – non-current	621,178	11,220,714	11.43%	18.06

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(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, 2019		Purchase (Note 3)		Sell (Note 3)				As of December 31, 2019	
					Shares	Amount	Shares	Amount	Shares	Price	Book Cost	Gain / Loss	Shares	Amount
					(In thousand)		(In thousand)		(In thousand)				(In thousand)	
FG INC.	Stock	Investments accounted for using the equity method	FG LA LLC	Subsidiary	-	\$6,495,813 (Note 5)	-	\$1,701,252	-	\$-	\$-	\$-	-	\$8,197,065 (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 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.

(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: None.

(j) Significant inter-company transactions: None.

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**C. Investment in Mainland China as of December 31, 2019**

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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Investees company net income (Note2)	Percentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Formosa Plastics Synthetic Rubber(Ningbo)	Synthetic Rubber Manufacturing	US\$415,000 NT\$12,493,990	(2)	US\$135,000 NT\$4,192,221	-	-	US\$135,000 NT\$4,192,221	NT\$(564,872)	32.53%	NT\$(183,753)	NT\$2,249,179	\$-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note3)
US\$135,000 NT\$4,192,221	US\$135,000 NT\$4,192,221	NT\$198,133,837

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.