

**FORMOSA CHEMICALS & FIBRE
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2019 AND 2018**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

**FORMOSA CHEMICALS & FIBRE CORPORATION
AND SUBSIDIARIES**

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19001427

To the Board of Directors and Shareholders of Formosa Chemicals & Fibre Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Formosa Chemicals & Fibre Corporation and subsidiaries (the “Group”) as at June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews and the reports of other independent accountants.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets (including investments accounted for using equity method) of NT\$102,145,577 thousand and NT\$106,254,856 thousand, constituting 17% and 16% of the consolidated total assets, and total liabilities of NT\$22,314,625 thousand and NT\$21,637,181 thousand, constituting 13% and 11% of the consolidated total liabilities as at June 30, 2019 and 2018, respectively, and total comprehensive income (including share of profit or loss of associates and joint ventures accounted for using equity method and share of other comprehensive income of associates and joint ventures accounted for using equity method) of NT\$519,457 thousand, NT\$88,364 thousand, NT\$1,548,390 thousand and NT\$1,297,257 thousand, constituting 6%, 0.31%, 9% and 2% of the consolidated total comprehensive income for the three-month and six-month periods then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews and the reports of other independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019 and 2018, and of its consolidated financial performance for the three-month and six-month periods then ended, and of its consolidated cash flows for the six-month periods then ended, in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Other matter – reviews of the other independent accountants

We did not review the financial statements of certain investments accounted for under equity method. The investment balance amounted to NT\$87,371,902 thousand and NT\$93,660,031 thousand, constituting 17% and 15% of consolidated total assets as at June 30, 2019 and 2018, respectively, and share of profit of associates and joint ventures accounted for under the equity method amounted to NT\$2,331,900 thousand, NT\$6,853,648 thousand, NT\$5,772,685 thousand, and NT\$12,922,521 thousand, constituting 42%, 24%, 22% and 24% of consolidated total comprehensive income for the three-month and six-month periods then ended, respectively. Those financial statements were reviewed by other independent accountants, whose reports thereon have been furnished to us, and our conclusion expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the review reports of other independent accountants.

Wu, Han-Chi

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

August 8, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than 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, PricewaterhouseCoopers 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.

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

			June 30, 2019		December 31, 2018		June 30, 2018	
Assets		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 14,127,167	2	\$ 31,209,809	5	\$ 31,180,594	5
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		4,675,176	1	4,496,354	1	4,568,104	1
1120	Current financial assets at fair	6(3)						
	value through other							
	comprehensive income		115,747,636	20	104,751,478	18	126,248,504	19
1140	Current contract assets	6(19)	1,094,931	-	788,643	-	659,715	-
1150	Notes receivable, net	6(4)	9,999,968	2	15,086,776	3	11,789,334	2
1160	Notes receivable - related	6(4) and 7						
	parties		7,175	-	4,429	-	9,290	-
1170	Accounts receivable, net	6(4)	20,362,097	3	20,920,208	4	21,446,068	3
1180	Accounts receivable - related	6(4) and 7						
	parties		6,790,611	1	8,471,495	1	8,987,078	1
1200	Other receivables	7	21,551,408	4	8,185,916	1	23,383,069	4
1210	Other receivables - related	7						
	parties		14,240,898	2	11,376,802	2	17,243,644	3
130X	Inventories	6(5)	42,281,919	7	42,405,175	7	42,100,412	6
1470	Other current assets	7	8,591,318	2	7,312,461	1	10,229,460	2
11XX	Total current assets		259,470,304	44	255,009,546	43	297,845,272	46
Non-current assets								
1517	Non-current financial assets at	6(3)						
	fair value through other							
	comprehensive income		78,949,565	13	82,170,244	14	92,751,055	14
1550	Investments accounted for	6(6) and 7						
	under equity method		109,938,183	19	114,476,472	19	113,914,846	18
1600	Property, plant and equipment	6(7) and 7	129,390,466	22	129,098,640	22	127,525,161	20
1755	Right-of-use assets	6(8)	1,691,617	-	-	-	-	-
1780	Intangible assets		1,492	-	586	-	788	-
1840	Deferred income tax assets		1,753,728	-	2,312,859	-	1,950,528	-
1900	Other non-current assets		8,853,619	2	8,432,585	2	10,312,516	2
15XX	Total non-current assets		330,578,670	56	336,491,386	57	346,454,894	54
1XXX	Total assets		\$ 590,048,974	100	\$ 591,500,932	100	\$ 644,300,166	100

(Continued)

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2019		December 31, 2018		June 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	\$ 22,633,579	4	\$ 31,948,041	5	\$ 28,853,771	4
2110	Short-term notes and bills payable	6(9)	3,497,505	1	12,490,543	2	1,049,684	-
2120	Financial liabilities at fair value through profit or loss - current	6(10)	454	-	774	-	-	-
2150	Notes payable		228,861	-	255,580	-	214,982	-
2170	Accounts payable		8,104,669	1	5,916,930	1	8,680,684	1
2180	Accounts payable - related parties	7	10,769,590	2	15,898,101	3	16,283,321	3
2200	Other payables	6(11) and 7	51,325,661	9	12,264,130	2	54,161,142	8
2230	Current income tax liabilities		2,839,612	-	5,014,075	1	4,912,889	1
2280	Current lease liabilities		151,714	-	-	-	-	-
2320	Long-term liabilities, current portion	6(12)(13)	13,014,841	2	16,555,497	3	17,199,357	3
2399	Other current liabilities		4,936,417	1	5,891,945	1	4,349,114	1
21XX	Total current liabilities		<u>117,502,903</u>	<u>20</u>	<u>106,235,616</u>	<u>18</u>	<u>135,704,944</u>	<u>21</u>
	Non-current liabilities							
2530	Corporate bonds payable	6(12)	33,450,000	6	27,850,000	5	32,650,000	5
2540	Long-term borrowings	6(13)	12,685,623	2	16,751,958	3	23,609,616	4
2570	Deferred income tax liabilities		360,886	-	351,022	-	378,434	-
2580	Non-current lease liabilities		759,616	-	-	-	-	-
2600	Other non-current liabilities		6,753,501	1	6,989,837	1	7,104,898	1
25XX	Total non-current liabilities		<u>54,009,626</u>	<u>9</u>	<u>51,942,817</u>	<u>9</u>	<u>63,742,948</u>	<u>10</u>
2XXX	Total liabilities		<u>171,512,529</u>	<u>29</u>	<u>158,178,433</u>	<u>27</u>	<u>199,447,892</u>	<u>31</u>
	Equity attributable to owners of parent							
	Share capital	6(15)						
3110	Common stock		58,611,863	10	58,611,863	10	58,611,863	9
	Capital surplus	6(16)						
3200	Capital surplus		9,121,387	1	9,084,142	1	8,682,742	1
	Retained earnings	6(17)						
3310	Legal reserve		61,364,852	11	56,487,920	9	56,487,920	9
3320	Special reserve		60,171,925	10	53,131,385	9	53,131,385	8
3350	Unappropriated retained earnings		50,153,805	9	84,098,904	14	62,888,651	10
	Other equity interest	6(18)						
3400	Other equity interest		118,312,489	20	108,933,674	19	143,569,432	22
3500	Treasury stocks	6(15)	(539,014)	-	(539,014)	-	(626,468)	-
31XX	Equity attributable to owners of the parent		<u>357,197,307</u>	<u>61</u>	<u>369,808,874</u>	<u>62</u>	<u>382,745,525</u>	<u>59</u>
36XX	Non-controlling interest		<u>61,339,138</u>	<u>10</u>	<u>63,513,625</u>	<u>11</u>	<u>62,106,749</u>	<u>10</u>
3XXX	Total equity		<u>418,536,445</u>	<u>71</u>	<u>433,322,499</u>	<u>73</u>	<u>444,852,274</u>	<u>69</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 590,048,974</u>	<u>100</u>	<u>\$ 591,500,932</u>	<u>100</u>	<u>\$ 644,300,166</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(REVIEWED, NOT AUDITED)

			For the three-month periods ended June 30,				For the six-month periods ended June 30,			
			2019		2018		2019		2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Items	Notes									
4000	Operating revenue	6(19) and 7	\$ 81,866,221	100	\$ 99,696,946	100	\$ 173,298,891	100	\$ 198,653,498	100
5000	Operating costs	6(5)(14)(23)(24) and 7	(72,838,329) (89)		(85,511,290) (86)		(151,730,878) (88)		(168,716,960) (85)	
5900	Net operating margin		9,027,892	11	14,185,656	14	21,568,013	12	29,936,538	15
	Operating expenses	6(14)(23)(24) and 7								
6100	Selling expenses		(2,281,655) (2)		(2,135,391) (2)		(4,706,064) (2)		(4,372,416) (2)	
6200	General and administrative expenses		(1,541,502) (2)		(1,511,252) (1)		(3,075,047) (2)		(2,943,284) (2)	
6000	Total operating expenses		(3,823,157) (4)		(3,646,643) (3)		(7,781,111) (4)		(7,315,700) (4)	
6900	Operating profit		5,204,735	7	10,539,013	11	13,786,902	8	22,620,838	11
	Non-operating income and expenses									
7010	Other income	6(20) and 7	2,280,936	3	1,876,226	2	2,720,250	2	2,230,284	1
7020	Other gains and losses	6(21)	151,786	-	1,605,924	2	537,364	-	1,457,246	1
7050	Finance costs	6(7)(22) and 7	(466,803) (1)		(552,044) (1)		(1,000,374) (1)		(1,088,428) (1)	-
7060	Share of profit of associates and joint ventures accounted for	6(6)								
	under equity method		2,310,403	3	6,277,991	6	4,219,406	3	10,660,828	5
7000	Total non-operating income and expenses		4,276,322	5	9,208,097	9	6,476,646	4	13,259,930	7
7900	Profit before income tax		9,481,057	12	19,747,110	20	20,263,548	12	35,880,768	18
7950	Income tax expense	6(25)	(1,760,647) (2)		(3,516,640) (4)		(3,361,501) (2)		(5,325,877) (3)	
8200	Profit for the period		\$ 7,720,410	10	\$ 16,230,470	16	\$ 16,902,047	10	\$ 30,554,891	15

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FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(REVIEWED, NOT AUDITED)

Items	Notes	For the three-month periods ended June 30,				For the six-month periods ended June 30,			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income (net)	6(18)(25)								
Components of other comprehensive income that will not be reclassified to profit or loss									
8316 Unrealised gain on financial assets measured at fair value through other comprehensive income		(\$ 1,452,840)	(2)	\$ 8,887,938	9	\$ 7,499,406	4	\$ 19,266,833	10
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method		(382,586)	-	584,294	1	1,368,427	1	2,308,855	1
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(1,835,426)	(2)	9,472,232	10	8,867,833	5	21,575,688	11
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		(473,700)	(1)	1,860,343	2	811,437	-	1,291,297	1
8370 Share of other comprehensive income of associates and joint ventures accounted for under equity method		87,972	-	818,633	1	166,285	-	366,898	-
8399 Income tax relating to the components of other comprehensive income		102,503	-	(199,759)	(1)	(129,174)	-	(129,418)	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss		(283,225)	(1)	2,479,217	2	848,548	-	1,528,777	1
8300 Total other comprehensive income (loss) for the period		(\$ 2,118,651)	(3)	\$ 11,951,449	12	\$ 9,716,381	5	\$ 23,104,465	12
8500 Total comprehensive income for the period		<u>\$ 5,601,759</u>	<u>7</u>	<u>\$ 28,181,919</u>	<u>28</u>	<u>\$ 26,618,428</u>	<u>15</u>	<u>\$ 53,659,356</u>	<u>27</u>
Net income attributable to:									
8610 Owners of the parent		\$ 5,793,326	8	\$ 14,279,840	14	\$ 14,313,803	8	\$ 27,254,199	14
8620 Non-controlling interest		1,927,084	2	1,950,630	2	2,588,244	2	3,300,692	1
		<u>\$ 7,720,410</u>	<u>10</u>	<u>\$ 16,230,470</u>	<u>16</u>	<u>\$ 16,902,047</u>	<u>10</u>	<u>\$ 30,554,891</u>	<u>15</u>
Total comprehensive income attributable to:									
8710 Owners of the parent		\$ 5,081,629	6	\$ 23,489,720	23	\$ 23,690,543	13	\$ 46,577,662	23
8720 Non-controlling interest		520,130	1	4,692,199	5	2,927,885	2	7,081,694	4
		<u>\$ 5,601,759</u>	<u>7</u>	<u>\$ 28,181,919</u>	<u>28</u>	<u>\$ 26,618,428</u>	<u>15</u>	<u>\$ 53,659,356</u>	<u>27</u>
		<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
Basic earnings per share	6(25)								
9710 Profit for the period from continuing operations		\$ 1.63	\$ 1.32	\$ 3.38	\$ 2.78	\$ 3.47	\$ 2.90	\$ 6.15	\$ 5.24
9720 Non-controlling interest		(0.45)	(0.33)	(0.52)	(0.33)	(0.62)	(0.45)	(0.88)	(0.57)
9750 Profit attributable to common shareholders of the parent		<u>\$ 1.18</u>	<u>\$ 0.99</u>	<u>\$ 2.86</u>	<u>\$ 2.45</u>	<u>\$ 2.85</u>	<u>\$ 2.45</u>	<u>\$ 5.27</u>	<u>\$ 4.67</u>
Assuming shares held by subsidiary are not deemed as treasury stock:									
Profit for the period from continuing operations		\$ 1.62	\$ 1.32	\$ 3.37	\$ 2.77	\$ 3.46	\$ 2.88	\$ 6.12	\$ 5.21
Non-controlling interest		(0.45)	(0.33)	(0.52)	(0.33)	(0.63)	(0.44)	(0.88)	(0.56)
Profit attributable to common shareholders of the parent		<u>\$ 1.17</u>	<u>\$ 0.99</u>	<u>\$ 2.85</u>	<u>\$ 2.44</u>	<u>\$ 2.83</u>	<u>\$ 2.44</u>	<u>\$ 5.24</u>	<u>\$ 4.65</u>

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

Notes	Equity attributable to owners of the parent													
	Retained Earnings					Other equity interest								
	Share capital- Common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Hedging instrument gain (loss) on effective hedge of cash flow hedges	Unrealised gain or loss on available- for-sale financial assets	Gains (losses) on hedging instruments	Treasury stocks	Total	Non-controlling interest	Total equity
<u>For the six-month period ended June 30, 2018</u>														
Balance at January 1, 2018	\$ 58,611,863	\$ 8,682,798	\$ 51,046,840	\$ 46,567,089	\$ 84,218,728	(\$ 2,052,251)	\$ -	\$ 8,077	\$ 111,213,200	\$ -	(\$ 626,468)	\$ 357,669,876	\$ 60,831,200	\$ 418,501,076
Effects of retrospective application and retrospective restatement	-	-	-	-	5,114,398	-	125,624,639	(8,077)	(111,213,200)	8,077	-	19,525,837	65,223	19,591,060
Balance at January 1 after adjustments	58,611,863	8,682,798	51,046,840	46,567,089	89,333,126	(2,052,251)	125,624,639	-	-	8,077	(626,468)	377,195,713	60,896,423	438,092,136
Profit for the period	-	-	-	-	27,254,199	-	-	-	-	-	-	27,254,199	3,300,692	30,554,891
Other comprehensive income (loss) for the period	-	-	-	-	11,661	1,195,373	18,127,504	-	-	(11,075)	-	19,323,463	3,781,002	23,104,465
Total comprehensive income	-	-	-	-	27,265,860	1,195,373	18,127,504	-	-	(11,075)	-	46,577,662	7,081,694	53,659,356
Appropriations of 2017 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	5,441,080	-	(5,441,080)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	6,564,296	(6,564,296)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(41,028,304)	-	-	-	-	-	-	(41,028,304)	-	(41,028,304)
Changes in the net interest of associates recognised under the equity method	-	409	-	-	-	-	-	-	-	-	-	409	-	409
Expired cash dividends reclassified to capital surplus	-	(465)	-	-	-	-	-	-	-	-	-	(465)	-	(465)
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	-	-	-	-	-	-	-	-	-	-	-	-	(419)	(419)
Cash dividends paid by consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(4,727,500)	(4,727,500)
Capital deducted by returning cash	-	-	-	-	-	-	-	-	-	-	-	-	(12,536)	(12,536)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(676,655)	-	677,165	-	-	-	-	510	(1,130,913)	(1,130,403)
Balance at June 30, 2018	\$ 58,611,863	\$ 8,682,742	\$ 56,487,920	\$ 53,131,385	\$ 62,888,651	(\$ 856,878)	\$ 144,429,308	\$ -	\$ -	(\$ 2,998)	(\$ 626,468)	\$ 382,745,525	\$ 62,106,749	\$ 444,852,274

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FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent													
		Retained Earnings					Other equity interest								
			Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Hedging instrument gain (loss) on effective hedge of cash flow hedges	Unrealised gain or loss on available- for-sale financial assets	Gains (losses) on hedging instruments	Treasury stocks	Total	Non-controlling interest	Total equity
Notes	Share capital- Common stock														
For the six-month period ended June 30, 2019															
		\$ 58,611,863	\$ 9,084,142	\$ 56,487,920	\$ 53,131,385	\$ 84,098,904	(\$ 1,813,251)	\$ 110,762,790	\$ -	\$ -	(\$ 15,865)	(\$ 539,014)	\$ 369,808,874	\$ 63,513,625	\$ 433,322,499
		-	-	-	-	14,313,803	-	-	-	-	-	-	14,313,803	2,588,244	16,902,047
Profit for the period		-	-	-	-	(2,075)	679,014	8,686,453	-	-	13,348	-	9,376,740	339,641	9,716,381
Other comprehensive income (loss) for the period	6(18)	-	-	-	-	(2,075)	679,014	8,686,453	-	-	13,348	-	9,376,740	339,641	9,716,381
Total comprehensive income		-	-	-	-	14,311,728	679,014	8,686,453	-	-	13,348	-	23,690,543	2,927,885	26,618,428
Appropriations of 2018 earnings	6(17)														
Legal reserve		-	-	4,876,932	-	(4,876,932)	-	-	-	-	-	-	-	-	-
Special reserve		-	-	-	7,040,540	(7,040,540)	-	-	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(36,339,355)	-	-	-	-	-	-	(36,339,355)	-	(36,339,355)
Changes in the net interest of associates recognised under the equity method	6(16)	-	(8,017)	-	-	-	-	-	-	-	-	-	(8,017)	-	(8,017)
Dividends paid to subsidiaries to adjust capital surplus	6(16)	-	44,726	-	-	-	-	-	-	-	-	-	44,726	-	44,726
Expired cash dividends reclassified to capital surplus	6(16)	-	(67)	-	-	-	-	-	-	-	-	-	(67)	-	(67)
Changes in ownership interests in subsidiaries		-	603	-	-	-	-	-	-	-	-	-	603	1,010	1,613
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(5,103,382)	(5,103,382)
Balance at June 30, 2019		\$ 58,611,863	\$ 9,121,387	\$ 61,364,852	\$ 60,171,925	\$ 50,153,805	(\$ 1,134,237)	\$ 119,449,243	\$ -	\$ -	(\$ 2,517)	(\$ 539,014)	\$ 357,197,307	\$ 61,339,138	\$ 418,536,445

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

		For the six-month periods ended June 30,	
	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 20,263,548	\$ 35,880,768
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(23)	7,442,334	7,162,729
Amortisation	6(23)	1,763,053	1,432,161
Net gain on financial assets and liabilities	6(21)		
at fair value through profit or loss		(103,310)	(136,714)
Interest expense	6(22)	1,000,374	1,088,428
Interest income	6(20)	(244,908)	(298,695)
Dividend income	6(20)	(1,899,948)	(1,276,334)
Share of profit or loss of associates accounted			
for under the equity method		(4,219,406)	(10,660,828)
Gain on disposal and scrap of property, plant	6(21)		
and equipment		(8,662)	(779,652)
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets - current		(306,288)	(168,083)
Notes receivable		5,086,808	(818,048)
Notes receivable-related parties		(2,746)	3,716
Accounts receivable		558,111	207,017
Accounts receivable-related parties		1,680,884	62,483
Other receivables		(978,449)	(260,043)
Inventories		123,256	(3,655,601)
Other current assets		(1,278,857)	(5,938,209)
Changes in operating liabilities			
Notes payable		(26,719)	15,464
Accounts payable		2,187,739	1,180,521
Accounts payable-related parties		(5,128,511)	(1,666,618)
Other payables		172,665	(589,621)
Other current liabilities		(955,528)	(790,553)
Accrued pension liabilities		(265,076)	(277,065)
Cash inflow generated from operations		24,860,364	19,717,223
Interest received		244,520	280,995
Dividends received		573,938	261,351
Interest paid		(905,723)	(1,191,657)
Income tax paid		(5,235,082)	(4,419,158)
Net cash flows from operating activities		19,538,017	14,648,754

(Continued)

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the six-month periods ended June 30,	
		2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other receivables-related parties		(\$ 2,864,096)	(\$ 3,515,838)
Acquisition of financial assets at fair value through profit or loss		(300,000)	-
Acquisition of available-for-sale financial assets		-	(2,271,020)
Proceeds from disposal of financial assets at fair value through profit or loss		224,168	772,909
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	769,738
Acquisition of investments accounted for under the equity method		(764,280)	-
Acquisition of property, plant and equipment	6(27)	(7,710,227)	(8,792,400)
Proceeds from disposal of property, plant and equipment		56,200	1,233,896
Acquisition of intangible assets		(1,051)	(134)
Increase in non-current assets		(3,031,727)	(2,078,094)
Net cash flows used in investing activities		(14,391,013)	(13,880,943)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(9,314,462)	5,711,637
Decrease in short-term notes and bills payable		(8,993,038)	(530,079)
Decrease in other payables-related parties		-	(118,800)
Increase in corporate bonds payable		7,000,000	-
Payment of corporate bonds payable		(1,400,000)	-
Increase in long-term borrowings		3,781,356	4,456,610
Payment of long-term borrowings		(11,460,155)	(7,266,125)
Payment of lease liabilities		(62,133)	-
Increase in other non-current liabilities		28,740	87,807
Payment of cash dividends	6(27)	(867)	(696)
Payment of expired cash dividends reclassified to capital surplus		(67)	(465)
Payment of cash dividends - non-controlling interest		(2,085,276)	(1,963,474)
Net cash flows (used in) from financing activities		(22,505,902)	376,415
Effect of foreign exchange translations		276,256	351,769
Net (decrease) increase in cash and cash equivalents		(17,082,642)	1,495,995
Cash and cash equivalents at beginning of period		31,209,809	29,684,599
Cash and cash equivalents at end of period		<u>\$ 14,127,167</u>	<u>\$ 31,180,594</u>

The accompanying notes are an integral part of these consolidated financial statements.

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANISATION

Formosa Chemicals & Fibre Corporation (the “Company”) was founded on March 5, 1965. The Company and its subsidiaries (together referred herein as the “Group”) now has eight business divisions, namely First Chemical Division, Petrochemicals Division, Third Chemical Division, Plastics Division, Textile Division, First Fiber Division and its subsidiaries, Second Fiber Division, and Engineering & Construction Division. The Group’s major businesses are production and sales of petrochemical products, including PTA, PS, AN, Butadiene, SM polymer, SM, benzene, toluene, p-xylene (PX) and o-xylene (OX), as well as nylon fiber, and rayon staple fiber. The Group is also engaged in spinning, weaving, dyeing and finishing.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on August 8, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

A. IFRS 16, ‘Leases’

- (a) IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced

disclosures to be provided by lessors.

- (b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ (including reclassification of long-term prepaid rents) by \$1,627,373 and increased ‘lease liability’ by \$839,352 with respect to the lease contracts of lessees on January 1, 2019.
- (c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
 - The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- (d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rates of 1.01% and 1.413%.
- (e) The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 914,040
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$ 914,040
Incremental borrowing interest rate at the date of initial application	1.01% and 1.413%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$ 839,352

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments as endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment. The

quantitative impact will be disclosed when the assessment is complete.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standards 34, "Interim Financial Reporting" as endorsed by FSC.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income 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.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
The Company	Formosa Carpet Corp.	Spinning, dyeing, printing, finishing and manufacturing synthetic fibre, rug and carpet	100.00	100.00	100.00	The Company holds more than 50% of voting rights. (Note 2)
The Company	FCFC Investment Corp. (Cayman)	Investing	100.00	100.00	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC International Limited (Cayman)	Investing	100.00	100.00	100.00	The Company holds more than 50% of voting rights. (Note 2)
FCFC Investment Corp. (Cayman)	Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	100.00	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman)
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Investing	100.00	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman)
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd. (Note 1)	Producing and marketing of PTA	100.00	100.00	100.00	The company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong)
The Company	Formosa Biomedical Technology Corp.	Manufacturing and sale of cleaner and cosmetics	88.59	88.59	88.59	The Company holds more than 50% of voting rights. (Note 2)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Removal and disposal of waste	61.00	61.00	51.00	The Company holds more than 50% of voting rights through an 88.59% voting rights owned company - Formosa Biochemical Technology Corp. (Note 2)
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (SAMOA) Co., Ltd.	Investment	100.00	100.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights. (Note 2)
Formosa Biomedical Technology Corp.	Formosa Waters Technology Co., Ltd.	Manufacturing industrial catalyst and wholesale of other chemical products	57.00	57.00	57.00	Formosa Biochemical Technology holds more than 50% of voting rights. (Note 2)
Formosa Biomedical Technology (SAMOA) Co., Ltd.	Formosa Biomedical Trading (Shanghai) Co., Ltd.	Importing, exporting and wholesale of healthy food	100.00	100.00	100.00	Formosa Biochemical Technology holds more than 50% of voting rights through a 100% owned company - Formosa Biomedical Technology (SAMOA) Co., Ltd. (Note 2)
The Company	Ta Shin Spining Corp.	Spinning	86.40	86.40	86.40	The Company holds more than 50% of voting rights. (Note 2)
The Company	Formosa Idemitsu Petrochemical Corp.	Wholesale and retail of petrochemical and plastic raw materials	50.00	50.00	50.00	The Company has substantial control and thus regards Formosa Idemitsu Petrochemical Corp. as a subsidiary. (Note 2)
The Company	Formosa BP Chemicals Corp.	Chemistry, international trade of petrochemistry	50.00	50.00	50.00	The Company has substantial control and thus regards Formosa BP Chemicals Corp. as a subsidiary. (Note 2)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
The Company	Formosa Industries Corp., Vietnam	Production and marketing of textile, polyester staple fibre, cotton, hydropower	42.50	42.50	42.50	The Company has substantial control and thus regards Formosa Industries Corp. as a subsidiary.(Note 2)
The Company	Formosa Taffeta Co., Ltd.	Production and marketing of Polyamine fabric, Polyester fabric, cotton fabric, blended fabric and tire cord fabric	37.40	37.40	37.40	The Company has substantial control and thus regards Formosa Taffeta Corp. as a subsidiary.
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	46.68	46.68	65.68	Formosa Taffeta Co., Ltd. has substantial control and thus regards Formosa Advanced Technologies Co., Ltd. as a subsidiary.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co., Ltd.	Production of cotton, Terylene greige cloth, coloured cloth and textured processing yarn products	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Production and marketing of textile, polyester staple fibre, cotton, hydropower	100.00	100.00	100.00	The Company and Formosa Taffeta Co., Ltd. hold more than 50% of voting rights. (Note 2)
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of Nylon and Polyamine fabric	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric of 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	50.00	50.00	50.00	Formosa Taffeta Co., Ltd. has substantial control and thus regards Schoeller F.T.C. (Hong Kong) Co., Ltd. as a subsidiary. (Note 2)
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Investment	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights. (Note 2)
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing of processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Taffeta (Hong Kong) Co., Ltd. (Note 2)
Formosa Development Co., Ltd.	Public More International Co., Ltd.	Employment services and temporary worker services	100.00	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 100% owned company - Formosa Development Co., Ltd. (Note 2)

Note 1: The Company reorganised its investment structure through a merger of 4 investees in Mainland China, namely, Formosa Chemicals Industries (Ningbo) Co., Ltd., Formosa ABS Plastics (Ningbo) Co., Ltd., Formosa PS (Ningbo) Co., Ltd. and Formosa Phenol (Ningbo) Limited Co. After the effective date of January 2, 2018, Formosa Chemicals Industries (Ningbo) Co., Ltd. was the surviving entity. The proposal had been resolved by Board of Directors on November 4, 2016.

Note 2: The financial statements of the entity as of and for the six-month periods ended June 30, 2019 and 2018 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary

C. Subsidiaries not included in the consolidated financial statements: None

D. Adjustments for subsidiaries with different balance sheet dates: None

E. Significant restrictions: None

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of June 30, 2019, December 31, 2018, and June 30, 2018, the non-controlling interest amounted to \$61,339,138, \$63,513,625 and \$62,106,749, respectively. The information of non-controlling interest and respective subsidiary is as follows:

		Non-controlling interest				
		June 30, 2019		December 31, 2018		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)	Description
Formosa Taffeta Co., Ltd.	Taiwan	\$ 42,694,268	62.60	\$ 42,991,749	62.60	-
				Non-controlling interest		
				June 30, 2018		
Name of subsidiary	Principal place of business			Amount	Ownership (%)	Description
Formosa Taffeta Co., Ltd.	Taiwan			\$ 44,622,678	62.60	-

Summarised financial information of the subsidiary:

Balance sheets

	Formosa Taffeta Co., Ltd.		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 27,259,560	\$ 23,771,559	\$ 26,525,497
Non-current assets	70,586,344	69,254,934	74,714,334
Current liabilities	(13,961,186)	(9,191,230)	(13,722,417)
Non-current liabilities	(9,628,168)	(8,866,573)	(12,165,742)
Total net assets	<u>\$ 74,256,550</u>	<u>\$ 74,968,690</u>	<u>\$ 75,351,672</u>

Statements of comprehensive income

Formosa Taffeta Co., Ltd.		
	For the three-month period ended June 30, 2019	For the three-month period ended June 30, 2018
Revenue	\$ 12,370,748	\$ 11,737,258
Profit before income tax	2,831,905	1,957,817
Income tax expense	(413,660)	(549,231)
Profit for the period	2,418,245	1,408,586
Other comprehensive (loss) income, net of tax	(2,252,742)	2,635,134
Total comprehensive income for the period	\$ 165,503	\$ 4,043,720
Comprehensive income attributable to non-controlling interest	\$ 120,853	\$ 202,052

Formosa Taffeta Co., Ltd.		
	For the six-month period ended June 30, 2019	For the six-month period ended June 30, 2018
Revenue	\$ 24,089,595	\$ 22,467,681
Profit before income tax	3,565,035	2,510,728
Income tax expense	(585,397)	(720,225)
Profit for the period	2,979,638	1,790,503
Other comprehensive income, net of tax	432,680	3,788,353
Total comprehensive income for the period	\$ 3,412,318	\$ 5,578,856
Comprehensive income attributable to non-controlling interest	\$ 351,344	\$ 372,156

Statements of cash flows

	Formosa Taffeta Co., Ltd.	
	For the six-month period ended June 30, 2019	For the six-month period ended June 30, 2018
Net cash provided by operating activities	\$ 1,483,887	\$ 419,381
Net cash used in investing activities	(1,331,281)	(955,980)
Net cash provided by financing activities	213,953	564,483
Effect of exchange rates on cash	21,813	10,982
Increase in cash and cash equivalents	388,372	38,866
Cash and cash equivalents, beginning of period	3,391,896	4,942,919
Cash and cash equivalents, end of period	\$ 3,780,268	\$ 4,981,785

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- All foreign exchange gains and losses are presented in the statement of comprehensive

income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or jointly controlled entity, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments

in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method /associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of

the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

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 must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Land improvements	3 ~ 15 years
Buildings	10 ~ 60 years
Machinery and equipment	5 ~ 15 years
Transportation equipment	3 ~ 15 years
Other equipment	2 ~ 15 years

(15) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities
Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (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.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognised.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(24) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit

credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as other equity.
- iii. Past service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws)

that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(28) Treasury shares

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells a variety of petrochemical products, including the

spinning, weaving, dyeing and finishing of rayon and nylon fiber. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

- (b) The amount of sales revenue recognised is equal to the contract price net of volume discounts and sales discounts and allowances. Volume discounts and sales discounts and allowances are estimated based on historical information, and a refund liability is recognised for expected volume discounts and sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 to 120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Formosa Advanced Technologies Co., Ltd. renders IC packaging and testing services.

Considering that the highly customised products have no alternative use to the entity and the entity has an enforceable right to payment for performance completed to date in accordance with the contract terms, the revenue will have to be recognised in the reporting period in which the services are delivered to the customers. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the costs incurred relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of accounts receivable

In the process of assessing impairment of accounts receivable, the Group must use judgements and assumptions to determine the collectability of accounts receivable. The collectability is affected by various factors: customers' financial conditions, the Group's internal credit ratings, historical experience, etc. When sales are not expected to be collected, the Group recognises a specific allowance for doubtful receivables after the assessment. The assumptions and estimates of loss allowance provided for accounts receivable are based on concerning future events as that on the balance sheet date. Assumptions and estimates may differ from the actual results which may result in material adjustments.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of June 30, 2019, the carrying amount of inventories was \$42,281,919.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash on hand and petty cash	\$ 138,153	\$ 156,976	\$ 121,276
Checking accounts and demand deposits	7,942,763	6,914,206	5,167,045
Cash equivalents			
Time deposits	3,216,181	19,819,195	19,184,986
Bonds repurchased and commercial paper	2,830,070	4,319,432	6,707,287
	<u>\$ 14,127,167</u>	<u>\$ 31,209,809</u>	<u>\$ 31,180,594</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. Loss allowance is measured using 12-month expected credit losses. For the six-month periods ended June 30, 2019 and 2018, the Group did not recognise any loss allowance.

B. The Group has no cash and cash equivalents pledged to others.

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

Items	June 30, 2019	Decembe 31, 2018	June 30, 2018
Financial assets			
mandatorily measured at			
fair value through profit			
or loss			
Beneficiary certificate	\$ 550,000	\$ 466,353	\$ 619,504
Fund	4,085,299	4,085,299	4,085,299
Derivatives	-	-	478
	4,635,299	4,551,652	4,705,281
Valuation adjustments	39,877	(55,298)	(137,177)
	<u>\$ 4,675,176</u>	<u>\$ 4,496,354</u>	<u>\$ 4,568,104</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	For the three-month period ended June 30, 2019	For the three-month period ended June 30, 2018
Financial assets		
mandatorily measured at		
fair value through profit		
or loss		
Beneficiary certificates	\$ 580	\$ 676
Fund	61,399	224,177
Derivatives	(96)	249
	<u>\$ 61,883</u>	<u>\$ 225,102</u>
	For the six-month period ended June 30, 2019	For the six-month period ended June 30, 2018
Financial assets mandatorily		
measured at fair value		
through profit or loss		
Beneficiary certificates	\$ 990	\$ 1,378
Fund	102,000	135,255
Derivatives	-	81
	<u>\$ 102,990</u>	<u>\$ 136,714</u>

- B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative Instruments	June 30, 2018	
	Contract Amount (Notional Principal)	Contract Period
Current items:		
Forward exchange contracts:		
Taipei Fubon	JPY 157,280	May 2018 - August 2018

June 30, 2019 and December 31, 2018 : None.

The Group entered into forward exchange contracts to buy USD and JPY to hedge exchange rate risk of Ninth Naphtha Cracker Project from syndicated long-term borrowings. However, these forward exchange contracts are not accounted for under hedge accounting.

- C. The Group did not pledge financial assets at fair value through profit or loss to others as collateral.

- D. Information relating to credit risk is provided in Note 12(3).

(3) Financial assets at fair value through other comprehensive income

	June 30, 2019	December 31, 2018	June 30, 2018
Current items:			
Equity instruments			
Listed stocks	\$ 25,828,364	\$ 25,828,364	\$ 25,569,802
Unlisted stocks	825,839	825,839	825,838
Valuation adjustment	89,083,433	78,097,275	99,852,864
	<u>\$ 115,737,636</u>	<u>\$ 104,751,478</u>	<u>\$ 126,248,504</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 8,739,607	\$ 8,739,607	\$ 8,739,607
Unlisted stocks	28,553,919	28,284,257	28,099,704
Valuation adjustment	41,656,039	45,146,380	55,911,744
	<u>\$ 78,949,565</u>	<u>\$ 82,170,244</u>	<u>\$ 92,751,055</u>

- A. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the three-month period ended June 30, 2019	For the three-month period ended June 30, 2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	(\$ <u>1,462,721</u>)	\$ <u>9,472,232</u>
Cumulative losses reclassified to retained earnings due to derecognition (including losses included in non- controlling interest)	\$ <u>-</u>	(\$ <u>888,296</u>)
	For the six-month period ended June 30, 2019	For the six-month period ended June 30, 2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	\$ <u>7,505,817</u>	\$ <u>21,564,027</u>
Cumulative losses reclassified to retained earnings due to derecognition (including losses included in non- controlling interest)	\$ <u>-</u>	(\$ <u>1,807,568</u>)

- B. As at June 30, 2019, December 31, 2018 and June 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were \$194,697,201, \$186,921,722 and \$218,999,559, respectively.
- C. The Group did not pledge financial assets at fair value through other comprehensive income to others as collateral.
- D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(4) Notes and accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	\$ 9,999,968	\$ 15,086,776	\$ 11,789,334
Less: Allowance for uncollectible accounts	-	-	-
	<u>\$ 9,999,968</u>	<u>\$ 15,086,776</u>	<u>\$ 11,789,334</u>
Notes receivable - related parties	\$ 7,175	\$ 4,429	\$ 9,290
Accounts receivable	\$ 20,614,456	\$ 21,172,293	\$ 21,703,962
Less: Allowance for uncollectible accounts	(252,359)	(252,085)	(257,894)
	<u>\$ 20,362,097</u>	<u>\$ 20,920,208</u>	<u>\$ 21,446,068</u>
Accounts receivable - related parties	<u>\$ 6,790,611</u>	<u>\$ 8,471,495</u>	<u>\$ 8,987,078</u>

A. As of June 30, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$41,686,938.

B. As at June 30, 2019, December 31, 2018 and June 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$10,007,143, \$15,091,205 , \$11,798,624 and \$27,152,708, \$29,391,703 , \$30,433,146, respectively.

C. Information relating to credit risk is provided in Note 12(3).

(5) Inventories

June 30, 2019			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 15,727,607	(\$ 140,820)	\$ 15,586,787
Materials	6,872,303	(557,804)	6,314,499
Work in progress	5,971,588	(19,688)	5,951,900
Finished goods	15,066,417	(787,171)	14,279,246
Other inventory	149,567	(80)	149,487
	<u>\$ 43,787,482</u>	<u>(\$ 1,505,563)</u>	<u>\$ 42,281,919</u>

December 31, 2018			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 14,396,836	(\$ 192,566)	\$ 14,204,270
Materials	6,545,784	(521,058)	6,024,726
Work in progress	6,899,028	(16,258)	6,882,770
Finished goods	15,836,707	(784,724)	15,051,983
Other inventory	241,497	(71)	241,426
	<u>\$ 43,919,852</u>	<u>(\$ 1,514,677)</u>	<u>\$ 42,405,175</u>

	June 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 13,890,352	(\$ 78,842)	\$ 13,811,510
Materials	6,361,805	(601,178)	5,760,627
Work in progress	7,316,458	(9,416)	7,307,042
Finished goods	15,661,358	(597,648)	15,063,710
Other inventory	157,646	(123)	157,523
	<u>\$ 43,387,619</u>	<u>(\$ 1,287,207)</u>	<u>\$ 42,100,412</u>

A. Expense and loss incurred on inventories for the three-month and six-month periods ended June 30, 2019 and 2018 were as follows:

	For the three-month periods ended June 30,	
	2019	2018
Cost of inventories sold	\$ 71,486,546	\$ 85,172,366
Loss (gain) on inventory valuation (Note)	184,385 (	4,097)
Idle capacity	869,754	280,604
Others	297,644	62,417
	<u>\$ 72,838,329</u>	<u>\$ 85,511,290</u>

	For the six-month periods ended June 30,	
	2019	2018
Cost of inventories sold	\$ 150,498,536	\$ 168,197,541
(Gain) loss on inventory valuation (Note) (	11,663)	18,875
Idle capacity	1,028,096	353,338
Others	215,909	147,206
	<u>\$ 151,730,878</u>	<u>\$ 168,716,960</u>

Note: As the market value of petroleum related products decreased for the three-month periods ended June 30, 2019 and six-month periods ended June 30, 2018, the Group recognised related allowance for inventory valuation loss after assessment. For the six-month period ended June 30, 2019, and three-month periods ended June 30, 2018, disposal of excess inventory resulted in gains from price recovery of inventory.

B. As of June 30, 2019 and 2018, inventories pledged are described in Note 8.

(6) Investments accounted for using equity method

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Formosa Heavy Industries Corp.	\$ 7,855,217	\$ 7,794,074	\$ 8,228,567
Formosa Fairway Corp.	99,551	98,624	108,982
Formosa Plastics Transport Corp.	1,048,605	1,057,580	753,645
Formosa Petrochemical Corp.	75,824,630	81,480,476	81,677,556
Mai Liao Power Corp.	11,547,272	11,162,579	11,982,475
Hwa Ya Science Park Management Consulting Co., Ltd.	1,563	1,503	1,429
Chia-Nan Enterprise Corp.	252,374	265,338	256,676
Su Hua Transport Corp.	-	-	282,052
Formosa Environmental Technology Corp.	225,744	225,861	227,242
Formosa Synthetic Rubber Corp.	252,100	253,916	216,738
Formosa Synthetic Rubber Corp. (Hong Kong)	2,465,061	2,541,840	646,694
Formosa Resource Corp.	5,290,996	5,370,047	5,384,679
Formosa Group (Cayman) Corp.	654,327	631,060	602,394
Formosa Construction Corp.	78,978	82,300	85,486
FG INC.	2,977,972	2,208,034	2,201,383
Beyoung International Corp.	94,390	95,576	94,063
Kuang Yueh Co., Ltd.	1,253,013	1,191,261	1,147,168
Changshu Yu Yuan Co., Ltd.	16,390	16,403	17,617
	<u>\$ 109,938,183</u>	<u>\$ 114,476,472</u>	<u>\$ 113,914,846</u>

A. Associates

(a) The basic information of the associate that is material to the Group is as follows:

Company name	Principal place of business	<u>Shareholding ratio</u>			Nature of relationship	Method of measurement
		June 30, 2019	December 31, 2018	June 30, 2018		
Formosa Petrochemical Corp.	Taiwan	24.15%	24.15%	24.15%	Investments accounted for using equity method	Equity method

(b) The summarised financial information of the associate that is material to the Group is shown below:

Balance sheets

Formosa Petrochemical Corp.			
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 259,381,897	\$ 232,518,997	\$ 307,634,595
Non-current assets	167,367,854	168,219,257	171,561,711
Current liabilities	(101,964,895)	(50,039,507)	(122,936,752)
Non-current liabilities	(9,835,639)	(12,960,539)	(16,350,731)
Total net assets	<u>\$ 314,949,217</u>	<u>\$ 337,738,208</u>	<u>\$ 339,908,823</u>
Share in associate's net assets	\$ 76,060,236	\$ 81,563,777	\$ 82,087,981
Unrealised profit from sale of upstream transactions eliminations	(124,887)	27,418	(299,706)
Net differences in share capital	(110,719)	(110,719)	(110,719)
Carrying amount of the associate	<u>\$ 75,824,630</u>	<u>\$ 81,480,476</u>	<u>\$ 81,677,556</u>

Statements of comprehensive income

Formosa Petrochemical Corp.			
	For the three-month period ended June 30, 2019	For the three-month period ended June 30, 2018	
Revenue	\$ 165,518,116	\$ 191,806,342	
Profit for the period from continuing operations	\$ 8,025,343	\$ 25,225,846	
Other comprehensive income, net of tax	444,246	2,304,253	
Total comprehensive income	<u>\$ 8,469,589</u>	<u>\$ 27,530,099</u>	
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>	
Formosa Petrochemical Corp.			
	For the six-month period ended June 30, 2019	For the six-month period ended June 30, 2018	
Revenue	\$ 334,169,722	\$ 373,402,861	
Profit for the period from continuing operations	17,251,391	43,527,264	
Other comprehensive income, net of tax	5,684,224	8,631,388	
Total comprehensive income	<u>\$ 22,935,615</u>	<u>\$ 52,158,652</u>	
Dividends received from associates	<u>\$ -</u>	<u>\$ -</u>	

- (c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amount of the Group's individually immaterial associates amounted to \$34,113,553, \$32,995,996 and \$32,237,290, respectively.

	For the three-month period ended June 30, 2019	For the three-month period ended June 30, 2018
Profit for the period from continuing operations	\$ 771,424	\$ 776,912
Other comprehensive (loss) income, net of tax	(1,119,473)	2,872,952
Total comprehensive (loss) income	<u>(\$ 348,049)</u>	<u>\$ 3,649,864</u>
	For the six-month period ended June 30, 2019	For the six-month period ended June 30, 2018
Profit for the period from continuing operations	\$ 1,242,542	\$ 1,167,410
Other comprehensive income, net of tax	485,975	1,982,201
Total comprehensive income	<u>\$ 1,728,517</u>	<u>\$ 3,149,611</u>

- (d) The fair value of the Group's associates which have quoted market price was as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Formosa Petrochemical Corp.	<u>\$ 254,238,378</u>	<u>\$ 250,787,178</u>	<u>\$ 218,847,976</u>

- B. Except for the financial statements of Formosa Petrochemical Corp. and Mai Liao Power Corp., which were reviewed by the Company's appointed independent accountants, the financial statements of other investees accounted for using equity method for the six-month periods ended June 30, 2019 and 2018 were not reviewed.
- C. The Board of Directors resolved to invest USD 24,750 thousand, equivalent to 33% of ownership, in FG INC on March 15, 2019.
- D. On May 4, 2018, the Board of Directors resolved to increase its capital in Formosa Synthetic Rubber Corp. (Hong Kong) amounting to US\$65 million, equivalent to a 31.82% equity interest.
- E. The Group's associate, Formosa Plastic Transport Corp., merged with Su Hua Transport Corp. on July 1, 2018, and Formosa Plastic Transport Corp. was the surviving company after the merger.
- F. As of June 30, 2019 and 2018, no equity investments by the Group were pledged to others.

(7) Property, plant and equipment

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2019</u>						
Cost	\$ 12,007,208	\$ 48,572,743	\$ 305,388,135	\$ 14,832,983	\$ 14,084,103	\$ 394,885,172
Accumulated depreciation and impairment	(170,353)	(25,280,326)	(227,553,031)	(12,782,822)	-	(265,786,532)
	<u>\$ 11,836,855</u>	<u>\$ 23,292,417</u>	<u>\$ 77,835,104</u>	<u>\$ 2,050,161</u>	<u>\$ 14,084,103</u>	<u>\$ 129,098,640</u>
<u>2019</u>						
Opening net book amount	\$ 11,836,855	\$ 23,292,417	\$ 77,835,104	\$ 2,050,161	\$ 14,084,103	\$ 129,098,640
Additions	16,286	-	92,535	56,878	6,982,150	7,147,849
Disposals	(53)	-	(43,625)	(3,860)	-	(47,538)
Reclassifications	-	171,325	4,987,714	121,077	(5,214,855)	65,261
Depreciation charge	(2,814)	(764,025)	(6,368,134)	(210,918)	-	(7,345,891)
Net exchange difference	(279)	110,731	335,973	4,261	21,459	472,145
Closing net book amount	<u>\$ 11,849,995</u>	<u>\$ 22,810,448</u>	<u>\$ 76,839,567</u>	<u>\$ 2,017,599</u>	<u>\$ 15,872,857</u>	<u>\$ 129,390,466</u>
<u>At June 30, 2019</u>						
Cost	\$ 12,020,622	\$ 48,899,485	\$ 310,409,046	\$ 14,914,705	\$ 15,872,857	\$ 402,116,715
Accumulated depreciation and impairment	(170,627)	(26,089,037)	(233,569,479)	(12,897,106)	-	(272,726,249)
	<u>\$ 11,849,995</u>	<u>\$ 22,810,448</u>	<u>\$ 76,839,567</u>	<u>\$ 2,017,599</u>	<u>\$ 15,872,857</u>	<u>\$ 129,390,466</u>

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2018</u>						
Cost	\$ 8,736,490	\$ 46,210,594	\$ 297,714,457	\$ 14,717,555	\$ 12,297,410	\$ 379,676,506
Accumulated depreciation and impairment	(170,336)	(23,839,792)	(217,765,081)	(12,555,679)	-	(254,330,888)
	<u>\$ 8,566,154</u>	<u>\$ 22,370,802</u>	<u>\$ 79,949,376</u>	<u>\$ 2,161,876</u>	<u>\$ 12,297,410</u>	<u>\$ 125,345,618</u>
<u>2018</u>						
Opening net book amount	\$ 8,566,154	\$ 22,370,802	\$ 79,949,376	\$ 2,161,876	\$ 12,297,410	\$ 125,345,618
Additions	-	-	7,199	41,894	9,111,798	9,160,891
Disposals	(342,670)	-	(96,118)	(575)	(14,881)	(454,244)
Reclassifications	-	290,364	4,067,256	109,317	(4,437,702)	29,235
Depreciation charge	(149)	(736,955)	(6,187,827)	(237,798)	-	(7,162,729)
Net exchange difference	18	141,644	396,015	6,775	61,938	606,390
Closing net book amount	<u>\$ 8,223,353</u>	<u>\$ 22,065,855</u>	<u>\$ 78,135,901</u>	<u>\$ 2,081,489</u>	<u>\$ 17,018,563</u>	<u>\$ 127,525,161</u>
<u>At June 30, 2018</u>						
Cost	\$ 8,393,962	\$ 46,703,733	\$ 301,393,086	\$ 14,758,172	\$ 17,018,563	\$ 388,267,516
Accumulated depreciation and impairment	(170,609)	(24,637,878)	(223,257,185)	(12,676,683)	-	(260,742,355)
	<u>\$ 8,223,353</u>	<u>\$ 22,065,855</u>	<u>\$ 78,135,901</u>	<u>\$ 2,081,489</u>	<u>\$ 17,018,563</u>	<u>\$ 127,525,161</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Amount capitalised	<u>\$ 21,511</u>	<u>\$ 21,707</u>
Interest rate	<u>1.00%~4.60%</u>	<u>0.94%~4.00%</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Amount capitalised	<u>\$ 44,167</u>	<u>\$ 40,535</u>
Interest rate	<u>0.94%~4.80%</u>	<u>0.94%~4.30%</u>

- B. On May 4, 2018, the Board of Directors, considering future growth of the business, resolved to purchase office buildings and other property in the Taipei CBD complex, located on Nanjing East Road of the Neihu District in Taipei, from non-related parties, Trans Globe Life Insurance Inc. and Meifu Development Co., Ltd. The total transaction amount was \$4,675 million.
- C. Under the regulations, land may only be owned by individuals. Thus, the Group has already obtained ownership of the agricultural land for future plant expansion which was acquired by the Group under the name of a third party, who has pledged the full amount to the Company. As of June 30, 2019, December 31, 2018 and June 30, 2018, all the pledged amount was \$822,993.
- D. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements — lessee

Effective 2019

- A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 2 to 49 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

		June 30, 2019	
		Carrying amount	
Land	\$	1,649,742	
Buildings		41,875	
	\$	1,691,617	
		For the three-month period ended June 30, 2019	For the six-month period ended June 30, 2019
		Depreciation charge	Depreciation charge
Land	\$	40,219	\$ 80,601
Buildings		7,988	15,842
	\$	48,207	\$ 96,443

- C. For the three-month and six-month periods ended June 30, 2019, the additions to right-of-use assets were \$4,309 and \$140,416, respectively.
- D. The information on income and expense accounts relating to lease contracts is as follows:

		For the three-month period ended June 30, 2019	For the six-month period ended June 30, 2019
<u>Items affecting profit or loss</u>			
Interest expense			
on lease liabilities	\$	3,019	\$ 5,817
Expense on short-term lease contracts		5,894	11,645
Expense on leases of low-value assets		68	125

E. For the six-month period ended June 30, 2019, the Group's total cash outflow for leases was \$79,720.

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

Type of loans	June 30, 2019	Interest rate range	Collateral
OA loans	\$ 11,182	2.87%	None
Secured loans	3,987,614	1.40%~4.32%	Note 8
Unsecured loans	18,634,783	0.89%~4.35%	None
Total short-term loans	<u>\$ 22,633,579</u>		
Short-term notes and bills payable	\$ 3,500,000	0.52%~0.74%	None
Short-term notes and bills payable discount	(2,495)		
Net short-term notes and bills payable	<u>\$ 3,497,505</u>		

Type of loans	December 31, 2018	Interest rate range	Collateral
Secured loans	3,638,538	1.40%~3.88%	Note 8
Unsecured loans	28,309,503	0.90%~4.35%	None
Total short-term loans	<u>\$ 31,948,041</u>		
Short-term notes and bills payable	\$ 12,500,000	0.50%~0.88%	None
Short-term notes and bills payable discount	(9,457)		
Net short-term notes and bills payable	<u>\$ 12,490,543</u>		

Type of loans	June 30, 2018	Interest rate range	Collateral
OA loans	\$ 2,532	0.36%	None
Secured loans	3,732,425	1.64%~4.48%	None8
Unsecured loans	25,118,814	1.00%~4.48%	None
Total short-term loans	<u>\$ 28,853,771</u>		
Short-term notes and bills payable	\$ 1,050,000	0.76%	None
Short-term notes and bills payable discount	(316)		
Net short-term notes and bills payable	<u>\$ 1,049,684</u>		

(10) Financial liabilities at fair value through profit or loss

Items	June 30, 2019	December 31, 2018	June 30, 2018
Current items:			
Derivatives	<u>\$ 454</u>	<u>\$ 774</u>	<u>\$ -</u>

A. Amounts recognised in profit or loss in relation to financial liabilities at fair value through profit or loss are listed below:

Items	For the three-month period ended June 30, 2019	For the three-month period ended June 30, 2018
Derivatives	(\$ 438)	\$ 1,332
Items	For the six-month period ended June 30, 2019	For the six-month period ended June 30, 2018
Derivatives	\$ 320	\$ -

B. The non-hedging derivative instruments transaction and contract information are as follows:

	June 30, 2019		December 31, 2018	
Derivative Financial Liabilities	Contract Amount (Notional Principal) (in thousands)	Contract Period	Contract Amount (Notional Principal) (in thousands)	Contract Period
Current items:				
Forward foreign exchange contracts:				
Taipei Fubon	JPY 144,600	July 2019 - August 2019	JPY 50,000	December 2018 - February 2019
Taipei Fubon	-	-	JPY 56,800	December 2018 - February 2019
Chang Hwa	-	-	JPY 50,000	December 2018 - January 2019
Chang Hwa	-	-	JPY 50,210	December 2018 - January 2019

June 30, 2018: None.

(11) Other payables

	June 30, 2019	December 31, 2018	June 30, 2018
Dividend payable	\$ 40,752,151	\$ 72,690	\$ 43,774,431
Wages payable	2,322,825	3,115,981	2,150,983
Payables for construction project	1,041,959	1,602,258	835,834
Accrued interest payable	479,400	503,360	589,613
Utilities payable	83,495	33,735	429,324
Freight payable	78,130	135,857	368,290
Others	6,567,701	6,800,249	6,012,667
	<u>\$ 51,325,661</u>	<u>\$ 12,264,130</u>	<u>\$ 54,161,142</u>

(12) Bonds payable

	June 30, 2019	December 31, 2018	June 30, 2018
Bonds payable			
Domestic unsecured nonconvertible corporate bonds	\$ 39,650,000	\$ 34,050,000	\$ 39,750,000
Less: Current portion	(6,200,000)	(6,200,000)	(7,100,000)
	<u>\$ 33,450,000</u>	<u>\$ 27,850,000</u>	<u>\$ 32,650,000</u>

The terms of nonconvertible corporate bonds were as follows:

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	June 30, 2019	December 31, 2018	June 30, 2018	Note
<u>2012</u>								
First issued domestic unsecured nonconvertible corporate bonds - B	2012.7.26	2018.7.26~2019.7.26	1.40	\$ 3,000,000	\$ 1,500,000	\$ 1,500,000	\$ 3,000,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - B	2012.12.7	2018.12.7~2019.12.7	1.36	3,900,000	1,950,000	1,950,000	3,900,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - C	2012.12.7	2021.12.7~2022.12.7	1.51	4,100,000	4,100,000	4,100,000	4,100,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - A	2013.1.22	2019.1.22~2020.1.22	1.34	2,800,000	1,400,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22~2023.1.22	1.50	2,200,000	2,200,000	2,200,000	2,200,000	Serial bonds, to be settled 50%, 50%
<u>2013</u>								
First issued domestic unsecured nonconvertible corporate bonds - A	2013.7.8	2017.7.8~2018.7.8	1.24	4,500,000	-	-	2,250,000	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	March 31, 2019	December 31, 2018	June 30, 2018	Note
First issued domestic unsecured nonconvertible corporate bonds - B	2013.7.8	2019.7.8~2020.7.8	1.38	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8~2023.7.8	1.52	2,800,000	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2014.1.17	2025.1.17 ~ 2026..1.17	2.03	10,000,000	10,000,000	10,000,000	10,000,000	Serial bonds, to be settled 50%, 50%
<u>2014</u>								
First issued domestic unsecured nonconvertible corporate bonds-A	2014.7.4	2023.7.4 ~ 2024.7.4	1.81	1,400,000	1,400,000	1,400,000	1,400,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds-B	2014.7.4	2028.7.4 ~ 2029.7.4	2.03	4,600,000	4,600,000	4,600,000	4,600,000	Serial bonds, to be settled 50%, 50%
<u>2019</u>								
First issued domestic unsecured nonconvertible corporate bonds - A	2019.5.13	2019.5.13 ~ 2029.5.13	0.75	3,300,000	3,300,000	-	-	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2019.5.13	2019.5.13 ~ 2029.5.13	0.83	3,000,000	3,000,000	-	-	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	March 31, 2019	December 31, 2018	June 30, 2018	Note
First issued domestic unsecured nonconvertible corporate bonds - C	2019.5.13	2019.5.13 ~ 2029.5.13	0.93	700,000	700,000	-	-	Serial bonds, to be settled 50%, 50%
					39,650,000	34,050,000	39,750,000	
Less: Current portion of bonds payable					(6,200,000)	(6,200,000)	(7,100,000)	
					<u>\$ 33,450,000</u>	<u>\$ 27,850,000</u>	<u>\$ 32,650,000</u>	

(13) Long-term bank loans and notes payable

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2019
Long-term bank loans				
Unsecured loans				
China Trust Bank	Aug. 24, 2015 ~ Aug. 24, 2020, payable in full after Aug. 24, 2018 or payable in full at maturity with a two-year extension	LIBOR+1.25% (if TAIFX is higher than LIBOR+0.35%, the difference between TAIFX and LIBOR+0.35% is payable by the borrower)	None	\$ 1,770,548
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.55%	"	1,436,629
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, principal payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.45% and TAIFX+0.4% higher	"	1,514,284

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2019
Mega International Commercial Bank	Oct. 23, 2017 ~ Oct. 23, 2022, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	None	\$ 446,552
Mega International Commercial Bank	Nov. 17, 2016 ~ Nov. 17, 2021, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	546,891
Chang Hwa Bank	Sep. 7, 2017 ~ Sep. 7, 2022, principal payable semi-annually after 36 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	284,745
Hua Nan Bank	Nov. 15, 2018 ~ Jan. 15, 2020, principal payable at maturity date	1.03%	"	500,000
Sino Pac Bank	Jun. 19, 2018 ~ Jun. 19, 2020, payable in full at maturity	1.02%	"	300,000
First Commercial Bank	Sep. 20, 2018 ~ Sep. 15, 2020, payable in full at maturity	1.02%	"	1,500,000
Mizuho Corporate Bank	Aug. 17, 2018 ~ Aug. 17, 2020, payable in full at maturity	1.03%	"	500,000
E. Sun Bank	Nov. 20, 2018 ~ Nov. 19, 2021, payable in full at maturity	1.03%	"	200,000
China Trust Bank	Sep. 20, 2018~ Sep. 20, 2020, payable in full at maturity	1.00%	"	500,000
KGI Bank	Oct. 23, 2018 ~ Jun. 20, 2020, payable in full at maturity	1.04%	"	200,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2019
Taipei Fubon Bank	Mar. 22, 2019 ~ Mar. 22, 2021, payable in full at maturity	0.94%	None	\$ 800,000
Bangkok Bank	Dec. 3, 2018 ~ Dec. 2, 2020, payable in full at maturity	1.03%	"	200,000
Far Eastern International Bank	Sep. 22, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	700,000
HSBC	Dec. 10, 2018 ~ Dec. 10, 2020, payable in full at maturity	1.01%	"	1,500,000
Mega International Commercial Bank	Sep. 20, 2018 ~ Sep. 20, 2020, payable in full at maturity	0.98%	"	1,000,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-annually after Apr. 21, 2017; interest payable monthly	1.63%	Land	5,377,778
Hua Nan Bank China Trust Bank ANZ	Apr. 1, 2018 ~ Mar. 31, 2021, principal payable annually	4.40%~4.45%	Endorsement and guarantees of Formosa Taffeta Co., Ltd.	223,037
				19,500,464
Less: Current portion of long-term loans				(6,814,841)
				<u>\$ 12,685,623</u>

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
Long-term bank loans				
Unsecured loans				
Japanese Mitsubishi Bank	Mar. 29, 2016 ~ Mar. 29, 2019, payable at maturity date; interest payable monthly	1.05%~1.08%	None	\$ 3,000,000
Sumitomo Mitsui Banking Corporation	Dec. 6, 2018 ~ Dec. 6, 2020, principal payable semi-annually; interest payable monthly	0.80%	"	800,000
China Trust Bank	Aug. 24, 2015 ~ Aug. 24, 2020, payable in full after Aug. 24, 2018 or payable in full at maturity with a two-year extension	LIBOR+1.25% (if TAIFX is higher than LIBOR+0.35%, the difference between TAIFX and LIBOR+0.35% is payable by the borrower)	"	2,047,950
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.55%	"	1,847,774
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, principal payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.45% and TAIFX+0.4% higher	"	1,662,997

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
Mega International Commercial Bank	Oct. 23, 2017 ~ Oct. 23, 2022, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	None	\$ 465,706
Mega International Commercial Bank	Nov. 17, 2016 ~ Nov. 17, 2021, principal payable semi-annually after 18 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	1,382,340
Mega International Commercial Bank	Jan. 5, 2018 ~ Jan. 5, 2023, interest payable quarterly, principal payable in 5 installments semi-annually from Jan. 2021	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	461,228
Chang Hwa Bank	Sep. 7, 2017 ~ Sep. 7, 2022, principal payable semi-annually after 36 months	1 to 5 years (including 5 years) rate of CBC, 4.75%	"	376,147
Hua Nan Bank	Feb. 3, 2017 ~ Feb. 3, 2020, principal payable at maturity date	LIBOR+1.35%	"	148,892
Hua Nan Bank	Nov. 15, 2018 ~ Jan. 15, 2020, payable in full at maturity	1.03%	"	700,000
Sino Pac Bank	Jun. 19, 2018 ~ Jun. 19, 2020, payable in full at maturity	1.02%	"	300,000
First Commercial Bank	Sep. 20, 2018 ~ Sep. 15, 2020, payable in full at maturity	1.02%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
Mizuho Corporate Bank	Aug. 17, 2018 ~ Aug. 17, 2020, payable in full at maturity	1.03%	None	\$ 900,000
E. Sun Bank	Nov. 20, 2018 ~ Nov. 19, 2021, payable in full at maturity	1.03%	"	200,000
China Trust Bank	Sep. 20, 2018 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	500,000
KGI Bank	Oct. 23, 2018 ~ Jun. 20, 2020, payable in full at maturity	1.04%	"	200,000
Taipei Fubon Bank	Oct. 23, 2018 ~ Mar. 23, 2020, payable in full at maturity	1.04%	"	200,000
Bangkok Bank	Dec. 3, 2018 ~ Dec. 2, 2020, payable in full at maturity	1.03%	"	200,000
Far Eastern International Bank	Sep. 22, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	700,000
HSBC	Dec. 10, 2018 ~ Dec. 10, 2020, payable in full at maturity	1.01%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2018
Mega International Commercial Bank	Sep. 20, 2018 ~ Sep. 20, 2020, payable in full at maturity	0.98%	None	\$ 1,000,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi- annually after Apr. 21, 2017; interest payable monthly	1.63%	Land	6,722,222
Hua Nan Bank China Trust Bank ANZ	Apr. 1, 2018 ~ Mar. 31, 2021, principal payable annually	4.40%~4.45%	Endorsement and guarantees of Formosa Taffeta Co., Ltd.	292,199
				27,107,455
Less: Current portion of long-term loans				(10,355,497)
				<u>\$ 16,751,958</u>

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2018
Long-term bank loans				
Unsecured loans				
Japanese Mitsubishi Bank	Mar. 29, 2016 ~ Mar. 29, 2019, payable at maturity date; interest payable monthly	1.05%~1.08%	None	\$ 3,000,000
China Trust Bank	Aug. 24, 2015 ~ Aug. 24, 2020, payable in full after Aug. 24, 2018 or payable in full at maturity with a two-year extension	LIBOR+1.25% (if TAIFX is higher than LIBOR+0.35%, the difference between TAIFX and LIBOR+0.35% is payable by the borrower)	"	2,318,043
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, domestic: one hundred million principal payable semi-annually after Apr. 16, 2017; overseas: one hundred and ten million payable semi-annually after Apr. 16, 2017 with a two-year extension	LIBOR+1.55%	"	2,135,038
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, principle payable semi-annually after Apr. 16, 2017 with a two-year extension.	LIBOR+1.45% and TAIFX+0.4% higher	"	1,921,535
Mega International Commercial Bank	Oct. 23, 2017 ~ Oct. 23, 2022, principal payable semi-annually after 18 months	1 to 5 year (including 5 years) rate of CBC, 4.75%	"	479,400

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2018
Mega International Commercial Bank	Nov. 17, 2016 ~ Nov. 17, 2021, principal payable semi-annually after 18 months	1 to 5 year (including 5 years) rate of CBC, 4.75%	None	\$ 1,502,044
Taiwan Bank	Oct. 22, 2014 ~ Oct. 21, 2019, principal payable semi-annually after Oct. 22, 2017, interest payable quarterly	The interest rate is 1.75% plus the average of the 3-month RMB interbank lending rate of HSBC (HK) and that of China Bank (HK), 2 business days before the interest accrued (the interest rate for the second year is 6.0173%, and the interest accrual period is from October to January)	"	331,892
Taiwan Bank	Oct. 24, 2014 ~ Oct. 21, 2019, principal payable semi-annually after three years; interest payable quarterly	LIBOR+1.4% 3 months	"	1,464,000
Taiwan Business Bank	Jan.1, 2016 ~ Jan.1, 2019, principal payable quarterly after 27 months	LIBOR+1.1% 3 months	"	531,099
Mega International Commercial Bank	Jan. 5, 2018 ~ Jan. 5, 2023, interest payable quarterly, principal payable in 5 installment semi-annually from Jan. 2021	1 to 5 year (including 5 years) rate of CBC, 4.75%	"	221,262
Chang Hwa Bank	Sep 7, 2017~Sep 7, 2022,principal payable semi-annually after 36 months	1 to 5 year (including 5 years) rate of CBC, 4.75%	"	387,208

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2018
Han Nan Bank	Feb. 3, 2017~Feb. 3, 2020, principal payable at maturity date	LIBOR+1.35% 3 months	None	\$ 161,337
Hua Nan Bank	Jan. 15, 2018 ~ Jan. 15, 2020, payable in full at maturity	1.03%	"	1,500,000
Sino Pac Bank	Jun. 16, 2017 ~ Jun. 16, 2019, payable in full at maturity	1.02%	"	300,000
First Commercial Bank	Sep. 15, 2017 ~ Sep. 15, 2020, payable in full at maturity	1.02%	"	2,000,000
Mizuho Corporate Bank	Aug. 18, 2017 ~ Aug. 18, 2019, payable in full at maturity	1.03%	"	900,000
E. Sun Bank	Sep. 20, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.04%	"	500,000
China Trust Bank	Sep. 22, 2017 ~ Sep. 22, 2019, payable in full at maturity	1.04%	"	500,000
Land Bank of Taiwan	May .25, 2017~Sep. 30, 2020, payable in full at maturity	1.05%	"	200,000
KGI Bank	Jun. 20, 2017 ~ Jun. 20, 2019, payable in full at maturity	1.04%	"	1,000,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	June 30, 2018
Taipei Fubon Bank	Mar. 23, 2018 ~ Mar. 23, 2020, payable in full at maturity	1.04%	None	\$ 1,500,000
Bangkok Bank	Dec. 4, 2017 ~ Dec. 1, 2019, payable in full at maturity	1.04%	"	200,000
Far Eastern International Bank	Sep. 22, 2017 ~ Sep. 20, 2020, payable in full at maturity	1.00%	"	700,000
HSBC	Dec. 8, 2017 ~ Dec. 8, 2019, payable in full at maturity	1.02%	"	1,500,000
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-annually after Apr. 21, 2017; interest payable monthly	1.63%	Land	8,066,667
Hua Nan Bank China Trust Bank ANZ	Apr. 26, 2010 ~ Jun. 11, 2019, principal payable annually	3.40%~4.36%	Endorsement and guarantees of Formosa Taffeta Co., Ltd.	360,692
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd	Jul. 2005 ~ Dec. 2018, interest payable monthly; principal payable annually	0.87%~0.88%	None	
				28,756
				33,708,973
Less: Current portion of long-term loans				(10,099,357)
				<u>\$ 23,609,616</u>

- A. The collaterals for long-term bank loans are described in Note 8.
- B. The Group has signed contracts for syndicated loans with Mega Bank and others on November 14, 2013 to finance plant construction for Formosa Ha Tinh Steel Corp. Information is as follows:
 - (a) Total credit line: \$12,100,000
 - (b) Interest rate: Based on the agreement with the banks
 - (c) Period: 7 years
 - (d) Collateral: Land in Six Naphtha Cracking Plant, Mailiao Township, Yunlin County

The Group is required to meet certain financial covenants, namely liability ratio (liabilities/net equity) of less than 150% and current ratio (current assets/current liabilities) of above 100% at the end of each year. In the event the Group fails to meet the required covenants, a capital increase has to be completed by June of the following year.
- C. Formosa Industries Corp.'s long-term borrowing from banks is for the plant construction. The borrowing is guaranteed by Nan Ya Plastics Corp.'s drawn note of \$2,656,656.

(14) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.
 - (b) For the aforementioned pension plan, the Group recognised pension costs of \$47,318, \$51,312, \$94,648 and \$102,688 for the three-month and six-month periods ended June 30, 2019 and 2018, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$144,917.
- B. (a) From July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company

and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage was 10~20% for the three-month and six-month periods ended June 30, 2019 and 2018 respectively. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2019 and 2018 were \$96,945, \$97,335, \$196,848 and \$191,374, respectively.

(15) Capital stock

- A. As of June 30, 2019, the Company's authorised and paid-in capital was \$58,611,863, and total issued stocks was 5,861,186 thousand shares with a par value of \$10 per share. All proceeds from shares issued have been collected.
- B. Changes in the treasury stocks for the six-month periods ended June 30, 2019 and 2018 are set forth below:

Reason for reacquisition	Subsidiary	For the six-month period ended June 30, 2019			
		Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co.	12,169,610	-	-	12,169,610
	Formosa Advanced Technologies Co.	15,249,000	-	-	15,249,000
		<u>27,418,610</u>	<u>-</u>	<u>-</u>	<u>27,418,610</u>
Reason for reacquisition	Subsidiary	For the six-month period ended June 30, 2018			
		Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co.	12,169,610	-	-	12,169,610
	Formosa Advanced Technologies Co.	15,249,000	-	-	15,249,000
		<u>27,418,610</u>	<u>-</u>	<u>-</u>	<u>27,418,610</u>

C. The market value of treasury stocks was \$ 103 and \$ 121.5 (in dollars) per share at June 30, 2019 and 2018, respectively.

D. The above treasury stocks of the parent company were purchased by subsidiaries.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Group has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	For the six-month period ended June 30, 2019					
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2019	\$ 2,710,554	\$ 5,514,032	\$ 269,792	\$ 371,892	\$ -	\$ 217,872
Dividends allocated to subsidiaries	-	-	44,726	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	447	(8,024)	163	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(67)
At June 30, 2019	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 314,965</u>	<u>\$ 363,868</u>	<u>\$ 163</u>	<u>\$ 217,805</u>
	For the six-month period ended June 30, 2018					
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2018	\$ 2,710,554	\$ 5,514,032	\$ 203,232	\$ 29,307	\$ 9,447	\$ 216,226
Effect from net stockholding of associates recognised under the equity method	-	-	-	409	-	-
Expired cash dividends reclassified to capital surplus	-	-	-	-	-	(465)
At June 30, 2018	<u>\$ 2,710,554</u>	<u>\$ 5,514,032</u>	<u>\$ 203,232</u>	<u>\$ 29,716</u>	<u>\$ 9,447</u>	<u>\$ 215,761</u>

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remaining balance is to be set aside as special reserve if necessary; and distributed to shareholders as interest on capital. The remaining balance for current year, after allocating for interest on capital, shall be accumulated with remaining balance of previous year. Bonus distributed shall be proposed by the Board of Directors and resolved by the stockholders.

The special reserve includes:

(a) Reserve for a special purpose;

(b) Investment income recognised under equity method and deferred income tax assets arising from unused investment tax credits which are deemed unrealised and transferred to special reserve. Such investment income and deferred income tax assets are reclassified to unappropriated earnings only when they are realised;

(c) Net unrealised gains from financial instruments transactions. The special reserve for unrealised gains from financial instruments is reduced when the accumulated value of the unrealised gains also decreases; and

(d) Other special reserves as stipulated by other laws.

B. The Group is in the mature stage and the profit is stable. The Board of Directors shall establish the cash dividend or stock dividend percentage. At least 50% of the distributable earnings after deducting the legal reserve, directors' and supervisors' remuneration, employee bonus and special reserves shall be distributed to stockholders. The Group would prefer cash dividend. If the Group requires funds for significant investments or needs to improve its financial structure, part of the dividend will be in the form of stocks which shall not exceed 50% of the total dividends.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.

D. In accordance with the regulations, the Group shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The appropriations of 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 5, 2019 and June 15, 2018, respectively. Details are as follows:

For the years ended December 31,				
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 4,876,932		\$ 5,441,080	
Special reserve	7,040,540		6,564,296	
Cash dividends	36,339,355	\$ 6.20	41,028,304	\$ 7.00
	<u>\$ 48,256,827</u>		<u>\$ 53,033,680</u>	

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Group as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. Information relating to employees' bonuses and directors' and supervisors' remuneration is summarised in Note 6(25).

(18) Other equity items

	Hedging reserve	Unrealised gain (loss)	Currency translation	Total
At January 1, 2019	(\$ 15,865)	\$ 110,762,790	(\$ 1,813,251)	\$ 108,933,674
Revaluation:				
–Group	-	7,315,951	-	7,315,951
–Associates	-	1,370,502	-	1,370,502
Revaluation transferred to retained earnings:				
–Group	-	-	-	-
–Associates	-	-	-	-
Cash flow hedges:				
–Associates	13,348	-	-	13,348
Currency translation differences:				
–Group	-	-	655,251	655,251
–Tax of Group	-	-	(129,174)	(129,174)
–Associates	-	-	152,937	152,937
At June 30, 2019	<u>(\$ 2,517)</u>	<u>\$ 119,449,243</u>	<u>(\$ 1,134,237)</u>	<u>\$ 118,312,489</u>

	Hedging reserve	Gains (losses) on effective portion of cash flow hedges	Unrealised gain (loss)	Available-for- sale investment	Currency translation	Total
At January 1, 2018	\$ -	\$ 8,077	\$ -	\$ 111,213,200	(\$ 2,052,251)	\$ 109,169,026
Effects of retrospective application and retrospective restatement	8,077	(8,077)	125,624,639	(111,213,200)	-	14,411,439
Balance at January 1, 2018 after restatement	8,077	-	125,624,639	-	(2,052,251)	123,580,465
Revaluation:						
–Group	-	-	15,830,310	-	-	15,830,310
–Associates	-	-	2,297,194	-	-	2,297,194
Revaluation transferred to retained earnings:						
–Associates	-	-	677,165	-	-	677,165
Cash flow hedges:						
–Associates	(11,075)	-	-	-	-	(11,075)
Currency translation differences:						
–Group	-	-	-	-	946,818	946,818
–Tax of Group	-	-	-	-	(129,418)	(129,418)
–Associates	-	-	-	-	377,973	377,973
At June 30, 2018	(\$ 2,998)	\$ -	\$ 144,429,308	\$ -	(\$ 856,878)	\$ 143,569,432

(19) Operating revenue

	For the three-month periods ended June 30,	
	2019	2018
Sales revenue	\$ 81,653,543	\$ 99,408,893
Service revenue	110,976	146,930
Other operating revenue	101,702	141,123
	<u>\$ 81,866,221</u>	<u>\$ 99,696,946</u>

	For the six-month periods ended June 30,	
	2019	2018
Sales revenue	\$ 172,876,313	\$ 198,114,569
Service revenue	220,052	261,873
Other operating revenue	202,526	277,056
	<u>\$ 173,298,891</u>	<u>\$ 198,653,498</u>

A. The Group derives revenue from the transfer of goods and services over time and at a point in time.

B. Contract assets

Formosa Advanced Technologies Co., Ltd. derives revenue from the transfer of IC packaging and testing services over time. The related contract assets are as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Contract assets—revenue	\$ 1,094,931	\$ 788,643	\$ 659,715

C. The IC packaging and testing service contracts of Formosa Advanced Technologies Co., Ltd. all expire within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(20) Other income

	For the three-month periods ended June 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 47,761	\$ 93,566
Interest from current account with others	41,591	68,047
Other interest income	2,370	3,877
	<u>91,722</u>	<u>165,490</u>
Rental revenue	19,818	34,546
Dividend income	1,899,948	1,276,334
Other revenue-others	269,448	399,856
	<u>\$ 2,280,936</u>	<u>\$ 1,876,226</u>
	For the six-month periods ended June 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 157,023	\$ 156,794
Interest from current account with others	81,046	128,470
Other interest income	6,839	13,431
	<u>244,908</u>	<u>298,695</u>
Rental revenue	65,771	70,267
Dividend income	1,899,948	1,276,334
Other revenue-others	509,623	584,988
	<u>\$ 2,720,250</u>	<u>\$ 2,230,284</u>

(21) Other gains and losses

	For the three-month periods ended June 30,	
	2019	2018
Gain on disposal of property, plant and equipment	\$ 115	\$ 802,989
Net currency exchange gain	165,990	687,233
Net gain on financial assets (liabilities) at fair value through profit or loss	61,445	226,434
Other losses	(75,764)	(110,732)
	<u>\$ 151,786</u>	<u>\$ 1,605,924</u>

	For the six-month periods ended June 30,	
	2019	2018
Gain on disposal of property, plant and equipment	\$ 8,662	\$ 779,652
Net currency exchange gain	560,833	708,840
Net gain on financial assets (liabilities) at fair value through profit or loss	103,310	136,714
Other losses	(135,441)	(167,960)
	<u>\$ 537,364</u>	<u>\$ 1,457,246</u>

(22) Finance costs

	For the three-month periods ended June 30,	
	2019	2018
Interest expense:		
Bank loans	\$ 288,358	\$ 352,616
Corporate bonds	147,837	163,777
Current account with others	2,767	372
Discount	41,769	45,230
Other interest expenses	7,583	11,756
	<u>488,314</u>	<u>573,751</u>
Less: Capitalisation of qualifying assets	(21,511)	(21,707)
Finance costs	<u>\$ 466,803</u>	<u>\$ 552,044</u>

		For the six-month periods ended June 30,	
		2019	2018
Interest expense:			
Bank loans	\$	644,921	\$ 701,671
Corporate bonds		287,620	325,755
Current account with others		4,955	1,593
Discount		88,080	77,922
Other interest expenses		18,965	22,022
		1,044,541	1,128,963
Less: Capitalisation of qualifying assets	(	44,167)	(40,535)
Finance costs	\$	1,000,374	\$ 1,088,428

(23) Expenses by nature

		For the three-month periods ended June 30,	
		2019	2018
Depreciation charges on property, plant and equipment and right-of-use assets	\$	3,745,455	\$ 3,584,690
Employee benefit expense		3,860,414	3,818,337
Amortisation		809,723	720,363
	\$	8,415,592	\$ 8,123,390

		For the six-month periods ended June 30,	
		2019	2018
Depreciation charges on property, plant and equipment and right-of-use assets	\$	7,442,334	\$ 7,162,729
Employee benefit expense		7,765,770	7,548,189
Amortisation		1,763,053	1,432,161
	\$	16,971,157	\$ 16,143,079

(24) Employee benefit expense

		For the three-month periods ended June 30,	
		2019	2018
Wages and salaries	\$	3,306,552	\$ 3,252,499
Labor and health insurance fees		268,964	258,392
Pension costs		144,263	148,647
Other personnel expenses		140,634	158,799
	\$	3,860,413	\$ 3,818,337

		For the six-month periods ended June 30,	
		2019	2018
Wages and salaries	\$	6,636,636	\$ 6,426,034
Labor and health insurance fees		538,227	514,036
Pension costs		291,496	294,062
Other personnel expenses		299,410	314,057
	\$	7,765,769	\$ 7,548,189

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit before income tax of the current year, after covering accumulated losses, shall be distributed as employees' compensation. The ratio shall not be lower than 0.05% and shall not be higher than 0.5% for employees' compensation.
- B. For the three-month and six-month periods ended June 30, 2019 and 2018, employees' remuneration (bonuses) was accrued at \$6,890, \$16,713, \$16,621 and \$30,763, respectively. For the six-month periods ended June 30, 2019 and 2018, the employees' compensation was estimated and accrued based on approximately 0.1% of the retained earnings. Employees' compensation for 2018 as resolved by the Board of Directors was in agreement with the amount of \$54,403 recognised in the profit or loss for 2018. Employees' compensation for 2018 has not yet been distributed. Information about the appropriations of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three-month periods ended June 30,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ 1,139,161	\$ 2,251,312
Land value increment tax is included in profit or loss	-	129,638
Tax on undistributed surplus earnings	600,595	750,132
Adjustments in respect of prior years	(30,513)	226,600
Total current tax	<u>1,709,243</u>	<u>3,357,682</u>
Deferred tax:		
Origination and reversal of temporary differences	53,231	157,411
Effect of exchange rate	(1,827)	1,547
Total deferred tax	<u>51,404</u>	<u>158,958</u>
Income tax expense	<u>\$ 1,760,647</u>	<u>\$ 3,516,640</u>

	For the six-month periods ended June 30,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ 2,329,388	\$ 4,268,895
Land value increment tax is included in profit or loss	-	129,638
Tax on undistributed surplus earnings	600,595	750,132
Adjustments in respect of prior years	(6,423)	256,217
Total current tax	<u>2,923,560</u>	<u>5,404,882</u>
Deferred tax:		
Origination and reversal of temporary differences	439,578	157,297
Impact of tax rate changes	- (	236,615)
Effect of exchange rate	(1,637)	313
Total deferred tax	<u>437,941</u>	<u>(79,005)</u>
Income tax expense	<u>\$ 3,361,501</u>	<u>\$ 5,325,877</u>

(b)The income tax charge relating to components of other comprehensive income is as follows:

	For the three-month periods ended June 30,	
	2019	2018
Currency translation differences	<u>\$ 102,503</u>	<u>(\$ 199,759)</u>

	For the six-month periods ended June 30,	
	2019	2018
Currency translation differences	<u>(\$ 129,174)</u>	<u>(\$ 129,418)</u>

B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings per share

A. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period.

For the three-month period ended June 30, 2019					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 9,481,057	\$ 7,720,410		\$ 1.63	\$ 1.32
Net income of non- controlling interest	(2,597,422)	(1,927,084)		(0.45)	(0.33)
Profit attributable to ordinary shareholders of the parent	<u>\$ 6,883,635</u>	<u>\$ 5,793,326</u>	<u>5,833,768</u>	<u>\$ 1.18</u>	<u>\$ 0.99</u>
For the three-month period ended June 30, 2018					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 19,747,110	\$ 16,230,470		\$ 3.38	\$ 2.78
Net income of non- controlling interest	(3,050,803)	(1,950,630)		(0.52)	(0.33)
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,696,307</u>	<u>\$ 14,279,840</u>	<u>5,833,768</u>	<u>\$ 2.86</u>	<u>\$ 2.45</u>
For the six-month period ended June 30, 2019					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 20,263,548	\$ 16,902,047		\$ 3.47	\$ 2.90
Net income of non- controlling interest	(3,658,715)	(2,588,244)		(0.62)	(0.45)
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,604,833</u>	<u>\$ 14,313,803</u>	<u>5,833,768</u>	<u>\$ 2.85</u>	<u>\$ 2.45</u>

For the six-month period ended June 30, 2018					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 35,880,768	\$ 30,554,891		\$ 6.15	\$ 5.24
Net income of non- controlling interest	(5,148,335)	(3,300,692)		(0.88)	(0.57)
Profit attributable to ordinary shareholders of the parent	<u>\$ 30,732,433</u>	<u>\$ 27,254,199</u>	<u>5,833,768</u>	<u>\$ 5.27</u>	<u>\$ 4.66</u>

- B. Employees' bonus could be distributed in the form of stock. Since there is no significant impact when calculating diluted earnings per share, basic earnings per share equals diluted earnings per share.
- C. If stocks of the parent company held by subsidiaries are not treated as treasury stocks, the calculation of basic earnings per share is as follows:

For the three-month period ended June 30, 2019					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 9,481,057	\$ 7,720,410		\$ 1.62	\$ 1.32
Net income of non- controlling interest	(2,597,422)	(1,927,084)		(0.45)	(0.33)
Profit attributable to ordinary shareholders of the parent	<u>\$ 6,883,635</u>	<u>\$ 5,793,326</u>	<u>5,861,186</u>	<u>\$ 1.17</u>	<u>\$ 0.99</u>

For the three-month period ended June 30, 2018					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 19,747,110	\$ 16,230,470		\$ 3.37	\$ 2.77
Net income of non- controlling interest	(3,050,803)	(1,950,630)		(0.52)	(0.33)
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,696,307</u>	<u>\$ 14,279,840</u>	<u>5,861,186</u>	<u>\$ 2.85</u>	<u>\$ 2.44</u>

For the six-month period ended June 30, 2019					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 20,263,548	\$ 16,902,047		\$ 3.46	\$ 2.88
Net income of non- controlling interest	(3,658,715)	(2,588,244)		(0.63)	(0.44)
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,604,833</u>	<u>\$ 14,313,803</u>	<u>5,861,186</u>	<u>\$ 2.83</u>	<u>\$ 2.44</u>

For the six-month period ended June 30, 2018					
	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 35,880,768	\$ 30,554,891		\$ 6.12	\$ 5.21
Net income of non- controlling interest	(5,148,335)	(3,300,692)		(0.88)	(0.56)
Profit attributable to ordinary shareholders of the parent	<u>\$ 30,732,433</u>	<u>\$ 27,254,199</u>	<u>5,861,186</u>	<u>\$ 5.24</u>	<u>\$ 4.65</u>

(27) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the six-month periods ended June 30,	
	2019	2018
Purchase of fixed assets	\$ 7,147,849	\$ 9,160,891
Add: Opening balance of payable on equipment	1,604,309	577,616
Less: Ending balance of payable on equipment	(1,041,931)	(946,107)
Cash paid during the period	<u>\$ 7,710,227</u>	<u>\$ 8,792,400</u>

B. Financing activities with partial cash payments

	For the six-month periods ended June 30,	
	2019	2018
Cash dividend distributed	\$ 36,339,355	\$ 41,028,304
Add: Opening balance of cash dividend payable	62,429	44,056
Less: Ending balance of cash dividend payable	(36,400,917)	(41,071,664)
Cash dividend paid	<u>\$ 867</u>	<u>\$ 696</u>

(28) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Bonds payable (including current portion)	Long-term borrowing (including current portion)	Liabilities from financial activities-gross
At January 1, 2019	\$ 31,948,041	\$ 12,490,543	\$ 34,050,000	\$ 27,107,455	\$ 105,596,039
Changes in cash flow from financing activities	(9,314,462)	(8,993,038)	5,600,000	(7,678,799)	(20,386,299)
Impact of changes in foreign exchange rate	-	-	-	71,808	71,808
At June 30, 2019	<u>\$ 22,633,579</u>	<u>\$ 3,497,505</u>	<u>\$ 39,650,000</u>	<u>\$ 19,500,464</u>	<u>\$ 85,281,548</u>
	Short-term borrowings	Short-term notes and bills payable	Bonds payable (including current portion)	Long-term borrowing (including current portion)	Liabilities from financial activities-gross
At January 1, 2018	\$ 23,142,134	\$ 1,579,763	\$ 39,750,000	\$ 36,270,554	\$ 100,742,451
Changes in cash flow from financing activities	5,711,637	(530,079)	-	(2,809,516)	2,372,042
Impact of changes in foreign exchange rate	-	-	-	247,935	247,935
At June 30, 2018	<u>\$ 28,853,771</u>	<u>\$ 1,049,684</u>	<u>\$ 39,750,000</u>	<u>\$ 33,708,973</u>	<u>\$ 103,362,428</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Formosa Petrochemical Corp.	Associate
Formosa Heavy Industries Corp.	"
Formosa Heavy Industries (Ningbo) Corp.	"
Formosa Plastics Transport Corp.	"
Su Hua Transport Corp. (Su Hua Transport Corp. was merged into Formosa Plastics Transport Corp. on July 1, 2018, and Formosa Plastics Transport Corp. was the surviving company.)	"
Formosa Synthetic Rubber Corp.	"
Formosa Synthetic Rubber (Ningbo) Corp.	"
Mai Liao Power Corp.	"
Formosa Environmental Technology Corp.	"
Hwa Ya Science Park Management Consulting Corp.	"
Formosa Resources Corp.	"
Formosa Construction Corp.	"
Formosa Fairway Corporation	"
Kuang Yueh Co., Ltd.	"
Formosa Group (Cayman) Corp.	"
FG Inc.	"
Formosa Plastics Corp.	Other related party
Nan Ya Plastics Corp.	"
Nan Ya Plastics (Hui Zhou) Corp.	"
Nan Ya Plastics (Nan Tong) Corp.	"
Nan Ya Plastics Corp., U.S.A.	"
Nan Ya Plastics (Ningbo) Corp.	"
Nan Ya Technology Corp.	"
Nan Ya Optical Corp.	"
Nan Ya PCB Corp.	"
Nan Ya Electronic Materials Co., Ltd.	"
Formosa Automobile Sales Corporation	"
Formosa Petrochemical Transportation	"
Formosa Lithium Iron Oxide Corp.	"
Chang Gung University	"
Chang Gung Memorial Hospital	"
Chang Gung Biotechnology Co., Ltd.	"
Yue Chi Development Corp	"
PFG Fiber Glass Corp.	"
Formosa Plastics Marine Corp.	"
Formosa Plastics Marine Co., Ltd.	"

Names of related parties	Relationship with the Group
Mai Liao Harbor Administration Corp.	Other related party
Formosa Plastics Building Parking Lot	"
Formosa Network Technology Corp.	"
FPG Travel Service Co., Ltd.	"
Formosa Daikin Advanced Chemicals Co., Ltd.	"
Formosa Sumco Technology Corporation	"
Formosa Asahi Spandex Co., Ltd.	"
Formosa Plastics Logistics Corp.	"
Formosa Plastics Transport (Ningbo) Co., Ltd.	"
Formosa Electronic (Ningbo) Co., Ltd.	"
Inteplast Taiwan Corporation	"
Formosa Oil (Asia Pacific) Corporation	"
Asia Pacific Development Corp.	"
Ya Tai Development Corp.	"
Bio Trust International Corp.	"
Formosa Ha Tinh (Cayman) Ltd.	"
Formosa Ha Tinh Steel Corp. -TW	"
Formosa Ha Tinh Steel Corp.	"
BP Chemicals (Malaysia) SDN Corp.	"
Idemitsu Kosan Co., Ltd.	"
Idemitsu Chemicals (Hong Kong) Co., Ltd.	"
Idemitsu Chemicals U.S.A Corp.	"
Yugen Co., Ltd.	"
Yumaowu Enterprise Co., Ltd.	"
Yu Yuang Textile Co., Ltd.	"
Yu Maowu Complex Co., Ltd.	"
Kuang Yueh (Vietnam) Co., Ltd.	"
Hua Ya Power Corp.	"
Asia Pacific Technology Corp	"
Ya Tai Development Co., Ltd.	"
Kong You Industrial Co., Ltd.	"
Hong Jing Metal Corp	"
Formosa Industrues (Ningbo) Co., Ltd.	"
Nanya Plastic Industry(Anshan) Co., Ltd.	"
South Asia Electronic Materials (Kunshan) Co., L	"
Nan Ya Plastics Film (Nantong) Co., Ltd.	"
Nan Ya Plastics (Hui Zhou) Co., Ltd	"
Nan Ya Chemical Fiber (Kunshan) Co., Ltd.	"
Nanya(Xiamen)Plastic Co.,Ltd	"
NanYa Rigid Film (Guangzhou) Co., Ltd.	"
Asia Pactfic Investnent Co.	"
Nan Ya Printed Circuit Board Corp.	"
Formosa Automobile Corp.	"
Taisuwang Commerce and Trade Co., Ltd.	"

Names of related parties	Relationship with the Group
Huaya Steel Co., Ltd.	Other related party
Fuxin Special Steel Co., Ltd	"

(2) Significant related party transactions

A. Sales of goods:

	For the three-month periods ended June 30,	
	2019	2018
Sales of goods:		
— Associates	\$ 3,957,584	\$ 7,458,516
— Other related parties	12,038,268	14,009,547
	<u>\$ 15,995,852</u>	<u>\$ 21,468,063</u>
	For the six-month periods ended June 30,	
	2019	2018
Sales of goods:		
— Associates	\$ 11,760,324	\$ 16,155,549
— Other related parties	23,987,129	28,079,141
	<u>\$ 35,747,453</u>	<u>\$ 44,234,690</u>

The Group sells goods to related parties. Except for terms to certain related parties which are longer, prices are the same with third parties.

B. Purchases of goods:

	For the three-month periods ended June 30,	
	2019	2018
Purchases of goods:		
— Associates		
Formosa Petrochemical Corp.	\$ 25,615,771	\$ 39,350,825
Others	282	389
— Other related parties	5,950,618	6,799,078
	<u>\$ 31,566,671</u>	<u>\$ 46,150,292</u>
	For the six-month periods ended June 30,	
	2019	2018
Purchases of goods:		
— Associates		
Formosa Petrochemical Corp.	\$ 63,314,211	\$ 80,583,156
Others	1,277	430
— Other related parties	11,436,822	13,548,541
	<u>\$ 74,752,310</u>	<u>\$ 94,132,127</u>

The payment terms for related parties are within 30~60 days of purchase. The purchase prices and terms for related parties are the same with non-related parties.

C. Receivables from related parties:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Receivables from related parties:			
— Associates	\$ 1,523,646	\$ 2,606,441	\$ 2,860,526
— Other related parties	<u>5,274,140</u>	<u>5,869,483</u>	<u>6,135,842</u>
	<u>\$ 6,797,786</u>	<u>\$ 8,475,924</u>	<u>\$ 8,996,368</u>

Receivables from related parties are mainly from sales of goods and receivables for payments on behalf of others for construction design services. Receivables for sales are due 30~120 days from the date of sale; receivables for payments on behalf of others for construction design services are due 270 days from the services rendered. The receivables do not bear interest and no collaterals were pledged. No provision was accrued for receivables from related party.

D. Payables to related parties:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Payables to related parties:			
— Associates			
Formosa Petrochemical Corp.	\$ 8,113,580	\$ 12,554,549	\$ 13,522,425
Others	-	54	-
— Other related parties	<u>2,656,010</u>	<u>3,343,498</u>	<u>2,760,896</u>
	<u>\$ 10,769,590</u>	<u>\$ 15,898,101</u>	<u>\$ 16,283,321</u>

The payables to related parties arise mainly from purchase transactions and are due 30~60 days after the date of purchase. The payables bear no interest.

E. Expansion and repair project

(a)Expansion and repair project:

	<u>For the three-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Expansion and repair works of factory sites		
— Associates	<u>\$ 276,133</u>	<u>\$ 38,134</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Expansion and repair works of factory sites		
— Associates	<u>\$ 373,731</u>	<u>\$ 157,114</u>

(b) Ending balance of payables for expansion and repair project:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Payables to related parties:			
— Associates	\$ 54,605	\$ 35	\$ 133
— Other related parties	<u>105,637</u>	<u>10,126</u>	<u>-</u>
	<u>\$ 160,242</u>	<u>\$ 10,161</u>	<u>\$ 133</u>

The Group contracted the expansion and repair works of the factory sites to related parties. The payment terms are in accordance with the industry practice with payment due within a month after inspection.

F. Financing

(a) Loans to related parties:

(i) Ending balance of accounts receivable - related parties

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
— Associates			
Formosa Group (Cayman) Corp.	\$ -	\$ -	\$ 4,259,500
Formosa Heavy Industries Corp.	8,200,000	5,900,000	5,250,000
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	-	-	4,061,058
Others	<u>171,749</u>	<u>170,160</u>	<u>82,973</u>
	<u>8,371,749</u>	<u>6,070,160</u>	<u>13,653,531</u>
— Other related parties			
Formosa Plastics Marine Co., Ltd.	<u>5,869,149</u>	<u>5,306,642</u>	<u>3,590,113</u>
	<u>5,869,149</u>	<u>5,306,642</u>	<u>3,590,113</u>
	<u>\$ 14,240,898</u>	<u>\$ 11,376,802</u>	<u>\$ 17,243,644</u>

(ii)Interest income

		For the three-month periods ended June 30,	
		2019	2018
— Associates			
Formosa Group (Cayman) Corp.	\$	-	\$ 14,954
Formosa Synthetic Rubber (Ningbo) Co., Ltd.		-	26,802
Formosa Heavy Industries Corp.		18,479	4,505
Others		1,442	-
		<u>19,921</u>	<u>46,261</u>
— Other related parties			
Formosa Plastics Marine Co., Ltd.		21,617	14,130
Formosa Ha Tinh (Cayman) Limited		-	6,950
		<u>21,617</u>	<u>21,080</u>
	\$	<u>41,538</u>	\$ <u>67,341</u>
		For the six-month periods ended June 30,	
		2019	2018
— Associates			
Formosa Group (Cayman) Corp.	\$	-	\$ 29,742
Formosa Synthetic Rubber (Ningbo) Co., Ltd.		-	46,529
Formosa Heavy Industries Corp.		37,770	4,515
Others		2,867	-
		<u>40,637</u>	<u>80,786</u>
— Other related parties			
Formosa Plastics Marine Co., Ltd.		40,924	28,919
Formosa Ha Tinh(Cayman) Co.,Ltd.		-	17,374
		<u>40,924</u>	<u>46,293</u>
	\$	<u>81,561</u>	\$ <u>127,079</u>

The loan terms to related parties are in accordance with the contract's repayment schedule after the loan is made; interest was collected at 1.41%~3.48% per annum for the six-month periods ended June 30, 2019 and 2018, respectively.

(b) Loans from related parties:

Interest expense

	For the three-month periods ended June 30,	
	2019	2018
— Associates	\$ -	\$ 50

	For the six-month periods ended June 30,	
	2019	2018
— Associates	\$ 3	\$ 348

The loan terms from associates are in accordance with the contract's repayment schedule after the loan is made; interest is both paid at a rate of 1.41% per annum for the six-month periods ended June 30, 2019 and 2018.

G. Receivables for payment on behalf of others

	June 30, 2019	December 31, 2018	June 30, 2018
— Other related parties	\$ 212	\$ 3,369	\$ 5,892

The amount for equipment for resale that the Group paid on behalf of associates is recorded as other current assets.

H. Operating expenses

	For the three-month periods ended June 30,	
	2019	2018
Transportation charges		
— Other related parties		
Formosa Plastics Marine Corp.	\$ 242,133	\$ 344,712
Formosa Plastics Transport (Ningbo) Corp.	221,916	220,330
Others	56,762	-
	<u>\$ 520,811</u>	<u>\$ 565,042</u>

	For the six-month periods ended June 30,	
	2019	2018
Transportation charges		
— Other related parties		
Formosa Plastics Marine Corp.	\$ 615,557	\$ 472,247
Formosa Plastics Transport (Ningbo) Corp.	445,431	410,351
Others	121,579	-
	<u>\$ 1,182,567</u>	<u>\$ 882,598</u>

I. Rental revenue

		For the three-month periods ended June 30,	
		2019	2018
— Associates			
Formosa Petrochemical Corp.	\$	5,304	\$ 5,036
Others		3,087	2,852
		<u>8,391</u>	<u>7,888</u>
— Other related parties			
Nan Ya Plastics Corp.		6,597	6,597
Formosa Plastics Building Parking Lot		3,842	3,945
Formosa Network Technology Corp.		3,850	3,850
Others		7,508	7,821
		<u>21,797</u>	<u>22,213</u>
	\$	<u>30,188</u>	\$ <u>30,101</u>
		For the six-month periods ended June 30,	
		2019	2018
— Associates			
Formosa Petrochemical Corp.	\$	10,608	\$ 10,072
Others		6,173	5,708
		<u>16,781</u>	<u>15,780</u>
— Other related parties			
Nan Ya Plastics Corp.		13,195	13,195
Formosa Plastics Building Parking Lot		7,683	7,890
Formosa Network Technology Corp.		7,700	7,700
Others		15,015	15,641
		<u>43,593</u>	<u>44,426</u>
	\$	<u>60,374</u>	\$ <u>60,206</u>

The rental prices charged to related parties are determined considering the local rental prices and payments, and are collected monthly.

J. Property transactions:

(a) Acquisition of property, plant and equipment

		For the three-month periods ended June 30,	
		2019	2018
Purchase of property, plant and equipment			
— Associates	\$	118,690	\$ 21,417
— Other related parties		7,810	-
	\$	<u>126,500</u>	\$ <u>21,417</u>

		For the six-month periods ended June 30,	
		2019	2018
Purchase of property, plant and equipment			
— Associates	\$	131,090	\$ 123,035
— Other related parties		7,810	-
	\$	<u>138,900</u>	<u>123,035</u>

(b) Disposal of property, plant and equipment

		For the three-month periods ended June 30,			
		2019		2018	
		Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
— Associates	\$	-	\$ -	\$ 14,881	\$ -

		For the six-month periods ended June 30,			
		2019		2018	
		Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
— Associates	\$	-	\$ -	\$ 14,881	\$ -

(c) Acquisition of financial assets

For the three-month period ended June 30, 2019: None.

				For the three-month period ended June 30, 2018
	Accounts	No. of shares	Objects	Consideration
Formosa Ha Tinh (Cayman) Limited	Investments accounted for using equity method	56,470,747	Formosa Ha Tinh (Cayman) Limited	\$ <u>2,242,487</u>

				For the six-month period ended June 30, 2019
	Accounts	No. of shares	Objects	Consideration
FG Inc.	Investments accounted for using equity method	-	FG Inc.	\$ <u>764,280</u>

	Accounts	No. of shares	Objects	For the six-month period ended June 30, 2018
				Consideration
Formosa Ha Tinh (Cayman) Limited	Investments accounted for using equity method	56,470,747	Formosa Ha Tinh (Cayman) Limited	\$ 2,242,487

K. Donation:

	For the three-month periods ended June 30,	
	2019	2018
— Other related parties	\$ 8,698	\$ -
	For the six-month periods ended June 30,	
	2019	2018
— Other related parties	\$ 8,698	\$ -

L. Details of affiliates endorsed/guaranteed for the Group's borrowings are provided in Note 6(13).

(3) Key management compensation

	For the three-month periods ended June 30,	
	2019	2018
Salaries	\$ 15,100	\$ 14,024
Post-employment benefits	435	421
	<u>\$ 15,535</u>	<u>\$ 14,445</u>
	For the six-month periods ended June 30,	
	2019	2018
Salaries	\$ 68,512	\$ 66,738
Post-employment benefits	864	837
	<u>\$ 69,376</u>	<u>\$ 67,575</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged assets	Book value			Purpose
	June 30, 2019	December 31, 2018	June 30, 2018	
Property, plant and equipment	\$ 5,890,117	\$ 5,908,848	\$ 5,951,056	Collateral for bank loans
Inventory	21,264	21,264	21,264	Limited transfer for land tax reassessment and collateral
	<u>\$ 5,911,381</u>	<u>\$ 5,930,112</u>	<u>\$ 5,972,320</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The details of commitments and contingencies as of June 30, 2019 were as follows:

(1) Capital expenditures of property, plant and equipment that were contracted but not yet paid amounted

to \$8,024,083 thousand, RMB 739,419 thousand and VND 188,024,034 thousand.

(2) The outstanding letters of credit for major raw materials and equipment purchases amounted to USD 14,722 thousand, JPY 941,820 thousand and EUR 1,809 thousand.

(3) The provision of endorsements and guarantees to others are as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Formosa Industries	\$ 2,656,656	\$ 5,043,547	\$ 5,005,309
Formosa Resources	3,340,240	3,303,798	3,278,750
Formosa Group (Cayman) Corp.	7,768,000	19,208,125	19,062,500
Formosa Ha Tinh (Cayman) Corp.	28,624,587	21,268,361	20,095,515
Formosa Taffeta (Zhong Shan) Co., Ltd.	201,890	230,363	243,680
Formosa Taffeta (Vietnam) Co., Ltd.	435,889	307,028	405,551
Formosa Taffeta (Changshu) Co., Ltd.	387,710	272,011	413,525
Formosa Taffeta (Dong Nai) Co., Ltd.	3,100,839	3,080,801	3,003,847
Public More Internation Co., Ltd.	3,000	3,000	3,000
	<u>\$ 46,518,811</u>	<u>\$ 52,717,034</u>	<u>\$ 51,511,677</u>

(4) The promissory notes issued for others are as follows:

A. The Group's indirect investee, Formosa Ha Tinh (Cayman) Limited Co., was provided with a bank loan facility of USD 2.22 billion and to meet the operation needs. To secure the rights of its shareholders, the Company is required to issue a promissory note to ensure the borrower has fulfilled its obligation for repayment.

B. The Group's consolidated entity, Formosa Chemicals Industries (Ningbo) Limited Co., entered into a syndicated loan contract with the syndicated banking group lead by Mega International Commercial Bank, arranging the credit facilities of USD 155 million or equal value of RMB to meet the capital needs of building the plant. The Company is required to issue a promissory note and is obliged to facilitate the repayment of the borrower whenever necessary.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On August 8, 2019, the Board of Directors of the Company resolved to increase investment in the reinvested company, Formosa Environmental Technology Corp. The Company participated in the capital increase proportionately to its shareholding ratio, 25%, at the amount of USD 81,250 thousand.

12. OTHERS

(1) Litigation

The Company's operating permit and bituminous coal usage permit for co-generation equipment, M16, M17 and M22, have expired on September 28, 2016. The Company has applied for permit extension in June, 2016, however, after months of investigation and review, the Changhua County Government stated that improvements were not satisfactory and decided to revoke the extension application on September 29, 2016. The Company filed a suspension application with Taichung High Administrative Court on September 30, 2016 and asked for continued operations until judgement on the administrative lawsuit has been rendered. Meanwhile, the Company filed an administrative appeal with the Executive Yuan.

Under the Taichung High Administrative Court judgement, the suspension application filed regarding discontinued operations of M16, M17 and M22 had been denied. The loss or dangerous status of discontinued operation of co-generation equipment claimed by the Company was considered 'possible' but not 'certain' before November 1, 2016, and the discontinued operation has not resulted in plant shutdown and industry safety hazard.

The Company's Changhua plant was forced to shut down and consequently, incurred losses due to the lack of vapor power. The Company will explore all available legal remedies in filing a claim for indemnity and protect stockholders' and the Company's interest.

Because of the Changhua plant shutdown, the Company assessed that part of idle production equipment may not be recoverable. Accordingly, the Company recognised impairment loss on property, plant and equipment amounting to \$466,785 for the year ended December 31, 2016.

On November 16, 2017, the Company received a violation decision from Changhua County Government of an enhanced fine amounting to NT\$12.44 billion pursuant to Article 7 of Environmental Impact Assessment Act. The fine was levied on the ground that the indigenous coal used in the combined heat and power system is contrary to that indicated in the Environmental Impact Statement. The lawyers have filed an appeal with the Environmental Protection Administration (EPA) on behalf of the Company on November 22, 2017. On December 19, 2017, Changhua Country Government consented to suspend the fine until the appeal was concluded as stated in Letter No. Fu-Sho-Huan-Zong-Zi-1060429733. On December 11, 2017, the Company stated its opinion in EPA to dispute the fine. On February 14, 2018, the Company was informed that the decision on the appeal was postponed for two months in EPA's Letter No. Huan-Shu-Zi-1070014111. On March 8, 2018, the EPA ruled to revoke the violation decision of Changhua County Government.

(2) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new

shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The Group's management strategy of its debt-to-capital ratio for the year ended December 31, 2019 is the same as that for the year ended December 31, 2018. As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group's debt-to-capital ratio was 15%, 15%, and 14%, respectively.

(3) Financial instruments

A. Financial instruments by category

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets</u>			
Financial assets at fair value through profit or loss	\$ 4,675,176	\$ 4,496,354	\$ 4,568,104
Financial assets at fair value through other comprehensive income	194,697,201	186,921,722	218,999,559
Financial assets at amortised cost	88,438,044	95,487,943	114,949,556
	<u>\$ 287,810,421</u>	<u>\$ 286,906,019</u>	<u>\$ 338,517,219</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss	\$ 454	\$ 774	\$ -
Financial liabilities at amortised cost	156,034,954	140,218,069	183,016,458
Lease liability	911,330	-	-
	<u>\$ 156,946,738</u>	<u>\$ 140,218,843</u>	<u>\$ 183,016,458</u>

Note: Financial assets measured at amortised cost including cash, accounts and notes receivable, other receivables, and refundable deposits. Financial liabilities measured at amortised cost include short-term borrowings, accounts and notes payable, other payables, long-term borrowings (including those maturing within one year or one business cycle), corporate bonds payable (including those maturing within one year or one business cycle), and guarantee deposits received.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk.

- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
 - (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Notes 6 (2) and (10).
- C. Significant financial risks and degrees of financial risks
- (a) Market risk
 - Foreign exchange risk
 - i. The Group is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.
 - ii. Management has set up a policy to manage its foreign exchange risk against its functional currency. Each entity hedges its entire foreign exchange risk exposure.
 - iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6 (2) and (10).

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, VND and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

June 30, 2019				
Foreign Currency				
	<u>Amount (In Thousands)</u>	<u>Exchange Rate</u>	<u>Book Value (NTD)</u>	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 470,176	31.07	\$	14,608,368
JPY : NTD	350,553	0.29		101,660
<u>Non-monetary items</u>				
RMB : NTD	\$ 11,864,547	4.52	\$	53,627,752
USD : NTD	663,256	31.07		20,607,364
VND : NTD	7,788,477,079	0.0013		10,125,020
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 69,072	31.07	\$	2,146,067
JPY : NTD	132,718	0.29		38,488
USD : VND	360,600	31.07		11,203,842

December 31, 2018				
Foreign Currency				
	Amount (In Thousands)	Exchange Rate	Book Value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 689,795	30.73	\$	21,197,400
JPY : NTD	481,746	0.28		134,889
<u>Non-monetary items</u>				
RMB : NTD	\$ 10,526,674	4.48	\$	47,159,500
USD : NTD	683,546	30.73		21,005,369
VND : NTD	7,623,579,853	0.0013		9,910,654
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 55,502	30.73	\$	1,705,576
JPY : NTD	113,665	0.28		31,826
USD : RMB	80,857	30.73		2,484,736
USD : VND	365,100	30.73		11,219,523

June 30, 2018				
Foreign Currency				
	Amount (In Thousands)	Exchange Rate	Book Value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$ 972,634	30.50	\$	29,665,337
JPY : NTD	515,095	0.28		144,227
EUR : NTD	3,193	35.40		113,032
<u>Non-monetary items</u>				
RMB : NTD	\$ 10,311,622	4.61	\$	47,536,577
USD : NTD	717,696	30.50		21,889,728
VND : NTD	7,692,081,811	0.0013		9,999,706
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$ 280,486	30.50	\$	8,554,823
JPY : NTD	309,220	0.28		86,582
USD : RMB	268,598	30.50		8,192,239

- v. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2019 and 2018 amounted to \$165,990, \$687,233, \$560,833 and \$708,840, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

For the six-month period ended June 30, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 146,084	\$ -
JPY : NTD	1%	1,017	-
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	\$ 536,278
USD : NTD	1%	-	206,074
VND : NTD	1%	-	101,250
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 21,461	\$ -
JPY : NTD	1%	385	-
USD : VND	1%	112,038	-

For the six-month period ended June 30, 2018			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 296,653	\$ -
JPY : NTD	1%	1,442	-
EUR : NTD	1%	1,130	-
<u>Non-monetary items</u>			
RMB : NTD	1%	\$ -	\$ 475,366
USD : NTD	1%	-	218,897
VND : NTD	1%	-	9,997
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 85,548	\$ -
JPY : NTD	1%	866	-
USD : RMB	1%	81,922	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise domestic listed, beneficiary certificate and fund. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, components of equity for the six-month periods ended June 30, 2019 and 2018 would have increased/decreased by \$37,401 and \$36,545, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,946,972 and \$2,189,996, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the six-month periods ended June 30, 2019 and 2018, the Group's borrowings at variable rate were denominated in the NTD and USD.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. For the six-month periods ended June 30, 2019 and 2018, if interest rates on denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the periods then ended would have been \$156,004 and \$269,672 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b)Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of instruments stated at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum

rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Group adopts the assumptions under IFRS 9, that is, to assess whether there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group uses the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of notes and accounts receivable and contract assets.
- v. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes and accounts receivable and contract assets are as follows:

	For the six-month period ended June 30, 2019		
	Accounts receivable	Contract assets	Notes receivable
At January 1	\$ 252,085	\$ -	\$ -
Effect of exchange rate changes	274	-	-
At June 30	<u>\$ 252,359</u>	<u>\$ -</u>	<u>\$ -</u>
	For the six-month period ended June 30, 2018		
	Accounts receivable	Contract assets	Notes receivable
At January 1_IAS 39	\$ 257,573	\$ -	\$ -
Adjustments under new standards	-	-	-
At January 1_IFRS 9	257,573	-	-
Effect of exchange rate changes	321	-	-
At June 30	<u>\$ 257,894</u>	<u>\$ -</u>	<u>\$ -</u>

The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Not past due	\$ 36,749,681	\$ 43,945,602	\$ 33,001,256
Up to 30 days	514,885	720,658	326,216
31 to 90 days	93,742	61,387	115,403
91 to 180 days	50,450	7,346	44,539
Over 181 days	3,482	-	5,882
	<u>\$ 37,412,240</u>	<u>\$ 44,734,993</u>	<u>\$ 33,493,296</u>

The above ageing analysis was based on past due date.

(c)Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, loans to related parties, time deposits and cash equivalents, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

		Between 1	Between 3	
<u>June 30, 2019</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Lease liability	\$ 151,714	\$ 138,487	\$ 280,395	\$ 340,734
Bonds payable	6,200,000	4,500,000	9,950,000	1,900,000
Long-term borrowings	6,814,841	11,675,731	791,136	218,756

		Between 1	Between 3	
<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Bonds payable	\$ 6,200,000	\$ 2,750,000	\$ 6,600,000	\$ 18,500,000
Long-term borrowings	10,355,497	14,069,212	2,682,746	-

		Between 1	Between 3	
<u>June 30, 2018</u>	<u>Less than 1 year</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>Over 5 years</u>
Bonds payable	\$ 7,100,000	\$ 6,200,000	\$ 9,050,000	\$ 17,400,000
Long-term borrowings	10,099,357	15,758,820	7,850,796	-

Except for the aforementioned liabilities, the Group's non-derivative financial liabilities will mature within one year.

Derivative financial liabilities:

		Between 1	Between 3	
		and 2 years	and 5 years	
<u>June 30, 2019</u>	<u>Less than 1 year</u>			<u>Over 5 years</u>
Forward exchange contracts	\$ 454	\$ -	\$ -	\$ -
		Between 1	Between 3	
		and 2 years	and 5 years	
<u>December 31, 2018</u>	<u>Less than 1 year</u>			<u>Over 5 years</u>
Forward exchange contracts	\$ 774	\$ -	\$ -	\$ -
		Between 1	Between 3	
		and 2 years	and 5 years	
<u>June 30, 2018</u>	<u>Less than 1 year</u>			<u>Over 5 years</u>
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(4) Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in stock investment, private equity fund market, and most derivative instruments is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, short-term notes and bills payable, notes payable (including related parties), accounts payable (including related parties) and other payables (including related parties) are approximate to their fair values. The carrying amounts of long-term borrowings (including current portion) and lease liabilities are reasonable basis for fair value estimate given that their interest rates are approximate to market rates.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 556,312	\$ -	\$ -	\$ 556,312
Fund	-	4,118,864	-	4,118,864
Financial assets at fair value through other comprehensive income				
Equity securities	154,087,906	2,994,923	37,614,372	194,697,201
	<u>\$ 154,644,218</u>	<u>\$ 7,113,787</u>	<u>\$ 37,614,372</u>	<u>\$ 199,372,377</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 454	\$ -	\$ 454
	<u>-</u>	<u>454</u>	<u>-</u>	<u>454</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 479,490	\$ -	\$ -	\$ 479,490
Fund	-	4,016,864	-	4,016,864
Financial assets at fair value through other comprehensive income				
Equity securities	142,424,813	2,970,628	41,526,281	186,921,722
	<u>\$ 142,904,303</u>	<u>\$ 6,987,492</u>	<u>\$ 41,526,281</u>	<u>\$ 191,418,076</u>

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 774	\$ -	\$ 774
<u>June 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurement</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 631,376	\$ -	\$ -	\$ 631,376
Derivative instruments	-	478	-	478
Fund	-	3,936,250	-	3,936,250
Financial assets at fair value through other comprehensive income				
Equity securities	167,953,224	4,295,815	46,750,520	218,999,559
	<u>\$ 168,584,600</u>	<u>\$ 8,232,543</u>	<u>\$ 46,750,520</u>	<u>\$ 223,567,663</u>
Liabilities:				
<u>Recurring fair value measurement</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -

D. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance,

discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - (d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e. Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.
 - (e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - (f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- E. For the six-month periods ended June 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the six-month period ended June 30, 2019:

	For the six-month period ended June 30, 2019	
	Non-derivative equity instrument	
At January 1	\$	41,526,281
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income (		3,972,844)
Effect of exchange rate changes		60,935
At June 30	\$	37,614,372

	For the six-month period ended June 30, 2018	
	Non-derivative equity instrument	
At January 1	\$	25,093,528
Effect of retrospective adjustment and retrospective restatement		17,468,376
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income		4,040,614
Effect of exchange rate changes		148,002
At June 30	\$	46,750,520

- G. For the six-month periods ended June 30, 2019 and 2018, there was no transfer into or out from Level 3.
- H. The Group Treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. The Treasury sets up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS. The related valuation results are reported to Accounting Division monthly. Accounting Division is responsible for managing and reviewing valuation processes.

- I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at June 30, 2019	Fair value at December 31, 2018	Fair value at June 30, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non- derivative equity instrument:						
Unlisted shares	\$ 15,752,315	\$ 18,453,269	\$ 20,094,727	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	The higher the multiple, the higher the fair value
	1,202,569	1,116,542	1,007,427	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the long-term revenue growth rate and long- term pre-tax operating margin, the higher the fair value
	20,659,488	21,956,470	25,648,366	Net asset value	Not applicable	Not applicable

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		June 30, 2019		
		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	± 1%	\$ <u>157,523</u>	\$ <u>157,523</u>
Equity instruments	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	± 1%	\$ <u>12,026</u>	\$ <u>12,026</u>
		December 31, 2018		
		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	± 1%	\$ <u>184,533</u>	\$ <u>184,533</u>
Equity instruments	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	± 1%	\$ <u>11,165</u>	\$ <u>11,165</u>

		June 30, 2018		
		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	± 1%	\$ <u>200,947</u>	\$ <u>200,947</u>
Equity instruments	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	± 1%	\$ <u>10,074</u>	\$ <u>10,074</u>

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), and (10); 12(3) and (4).
- J. Significant intragroup transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group's reportable segments are strategic business units and provide different products and services. Strategic business units are separately managed because each unit needs different techniques and marketing strategies. The Group's reportable segments are as follows:

1st Petrochemical Div: responsible for production of benzene, p-xylene and o-xylene.

2nd Petrochemical Div: responsible for production of styrene, synthetic phenolic and acetone.

3rd Petrochemical Div: responsible for production of purified terephthalic acid.

Plastics Division: responsible for production of ABS resin, polypropylene and PS.

Formosa Taffeta Co., Ltd.: responsible for production of blended fabric, spun fabric, cross-woven fabric, polyamine and polyester fabric, epidemic fabric, designer sportswear fabric, high-tech and function fabric, tire cord fabric, pure cotton yarn, blended yarn, various functional yarn, fireproof fabric, anti-static cloth and industrial fabric, and operation of petrol stations to sell petroleum, diesel fuel, kerosene and small package of petroleum products and provide car wash services.

Formosa Advanced Technologies Co.: responsible for IC packaging, testing and production of memory module.

(2) Measurement of segment information

The Group has not yet amortised tax expenses or non-recurring gains and losses to reportable segments. Furthermore, not all reportable segments' profit or loss include significant non-cash items besides depreciation and amortisation. Reporting amount and reports for operating decision-maker are the same.

The Group's operating segment profit or loss is measured based on operating income before tax for performance assessment basis. The Group considers the sale and transfer among segments as transactions with third parties and measured at market price.

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

For the six-month period ended June 30, 2019

	1st	2nd	3rd		Formosa	Formosa			
	Petrochemical	Petrochemical	Petrochemical		Formosa	Advanced		Reconciliation	
	Div	Div	Div	Plastics Division	Taffeta	Technologies	Other divisions	and offset	Total
External revenue	\$ 17,611,903	\$ 19,903,804	\$ 34,074,211	\$ 52,546,516	\$ 14,124,774	\$ 4,442,798	\$ 30,594,885	\$ -	\$ 173,298,891
Internal revenue	33,134,806	13,144,459	1,822,062	7,822,083	221,027	-	5,570,031	(61,714,468)	-
Total revenue	<u>\$ 50,746,709</u>	<u>\$ 33,048,263</u>	<u>\$ 35,896,273</u>	<u>\$ 60,368,599</u>	<u>\$ 14,345,801</u>	<u>\$ 4,442,798</u>	<u>\$ 36,164,916</u>	<u>(\$ 61,714,468)</u>	<u>\$ 173,298,891</u>
Segment profit (loss)	<u>\$ 4,033,781</u>	<u>\$ 3,003,285</u>	<u>\$ 594,717</u>	<u>\$ 3,148,212</u>	<u>\$ 2,975,086</u>	<u>\$ 791,000</u>	<u>\$ 9,895,206</u>	<u>(\$ 4,177,739)</u>	<u>\$ 20,263,548</u>
Total assets of segments	<u>\$ 34,450,378</u>	<u>\$ 29,545,780</u>	<u>\$ 33,055,991</u>	<u>\$ 48,869,425</u>	<u>\$ 84,584,472</u>	<u>\$ 13,658,326</u>	<u>\$ 471,921,641</u>	<u>(\$ 126,037,039)</u>	<u>\$ 590,048,974</u>

For the six-month period ended June 30, 2018

	1st	2nd	3rd		Formosa	Formosa			
	Petrochemical	Petrochemical	Petrochemical		Formosa	Advanced		Reconciliation	
	Div	Div	Div	Plastics Division	Taffeta	Technologies	Other divisions	and offset	Total
External revenue	\$ 29,206,993	\$ 29,704,088	\$ 30,738,364	\$ 58,956,776	\$ 13,618,714	\$ 4,275,071	\$ 32,153,492	\$ -	\$ 198,653,498
Internal revenue	38,147,917	17,830,057	2,452,528	8,757,193	176,011	-	5,966,450	(73,330,156)	-
Total revenue	<u>\$ 67,354,910</u>	<u>\$ 47,534,145</u>	<u>\$ 33,190,892</u>	<u>\$ 67,713,969</u>	<u>\$ 13,794,725</u>	<u>\$ 4,275,071</u>	<u>\$ 38,119,942</u>	<u>(\$ 73,330,156)</u>	<u>\$ 198,653,498</u>
Segment profit (loss)	<u>\$ 3,529,205</u>	<u>\$ 6,922,979</u>	<u>\$ 2,832,352</u>	<u>\$ 6,541,331</u>	<u>\$ 1,963,104</u>	<u>\$ 915,541</u>	<u>\$ 17,849,020</u>	<u>(\$ 4,672,764)</u>	<u>\$ 35,880,768</u>
Total assets of segments	<u>\$ 35,029,700</u>	<u>\$ 34,152,501</u>	<u>\$ 32,390,986</u>	<u>\$ 52,984,106</u>	<u>\$ 90,235,965</u>	<u>\$ 13,622,273</u>	<u>\$ 508,301,011</u>	<u>(\$ 122,416,376)</u>	<u>\$ 644,300,166</u>

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

Formosa Chemicals and Fibre Corporation and subsidiaries

Loans to others

For the six-month period ended June 30, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2019 (Note 3)	Balance at June 30, 2019 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	The Company	Formosa Plastics Corp.	Other receivables-related parties	Yes	\$ 8,000,000	\$ 6,000,000	\$ -	1.41~1.42	1	2	Additional operating capital	\$ -	-	\$ -	\$ 89,299,327	\$ 178,598,654	-
0	The Company	Formosa Idemitsu Petrochemical Corp.	Other receivables-related parties	Yes	800,000	800,000	-	1.41~1.42	1	2	Additional operating capital	-	-	-	89,299,327	178,598,654	-
0	The Company	Nan Ya Plastics Corp.	Other receivables-related parties	Yes	8,000,000	6,000,000	-	1.41~1.42	1	2	Additional operating capital	-	-	-	89,299,327	178,598,654	-
0	The Company	Formosa Biomedical Technology Corp.	Other receivables-related parties	Yes	600,000	600,000	50,700	1.41~1.42	2	1	Additional operating capital	-	-	-	71,439,462	142,878,923	-
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	17,200,000	16,700,000	8,200,000	1.41~1.42	2	1	Additional operating capital	-	-	-	71,439,462	142,878,923	-
0	The Company	Formosa Plastics Marine Co., Ltd.	Other receivables-related parties	Yes	8,913,503	7,269,149	5,869,149	1.41~1.42	2	1	Additional operating capital	-	-	-	71,439,462	142,878,923	-

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2019 (Note 3)	Balance at June 30, 2019 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	The Company	Formosa Carpet Corp.	Other receivables-related parties	Yes	\$ 100,000	\$ 100,000	\$ -	1.41~1.42	2	1	Additional operating capital	\$ -	-	\$ -	\$ 71,439,462	\$ 142,878,923	-
0	The Company	Hong Jing Resources Corp.	Other receivables-related parties	Yes	1,600,000	1,600,000	-	1.41~1.42	2	1	Additional operating capital	-	-	-	71,439,462	142,878,923	-
0	The Company	Tah Shin Spinning Corp.	Other receivables-related parties	Yes	100,000	100,000	-	1.41~1.42	2	1	Additional operating capital	-	-	-	71,439,462	142,878,923	-
0	The Company	Formosa Plastics Marine Corp.	Other receivables-related parties	Yes	500,000	500,000	-	1.41~1.42	2	1	Additional operating capital	-	-	-	71,439,462	142,878,923	-
0	The Company	Nan Ya Technology Corp.	Other receivables-related parties	Yes	1,500,000	1,500,000	-	1.41~1.42	2	1	Additional operating capital	-	-	-	71,439,462	142,878,923	-
0	The Company	Formosa Lithium Iron Oxide Corp.	Other receivables-related parties	Yes	500,000	500,000	-	1.41~1.42	2	1	Additional operating capital	-	-	-	71,439,462	142,878,923	-
0	The Company	Formosa Petrochemical Corp.	Other receivables-related parties	Yes	15,000,000	13,000,000	-	1.41~1.42	1	2	Additional operating capital	-	-	-	71,439,462	142,878,923	-
1	Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Other receivables-related parties	Yes	15,000	-	-	1.41~1.42	2	1	Additional operating capital	-	-	-	574,865	1,437,163	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Heavy Industries (Ningbo) Corp.	Receivables from related party	Yes	174,918	171,749	171,749	3.48	2	1	Additional operating capital	-	-	-	6,011,986	15,029,964	-

Table 1, Page 2

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2019 (Note 3)	Balance at June 30, 2019 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Receivables from related party	Yes	\$ 6,937,740	\$ 6,937,740	\$ 6,937,740	3.48	2	1	Additional operating capital	\$ -	-	\$ -	\$ 6,011,986	\$ 15,029,964	-

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Name of account in which the loans are recognised including but not limited to accounts receivables-related parties, other receivables-related parties and, current account with stockholders, prepayments, and temporary payments, etc.

Note 3 : Maximum outstanding balance of loans to others during the six-month period ended June 30, 2019

Note 4 : The nature of loans:

(1) Related to business transactions is "1".

(2) Short-term financing is "2".

Note 5 : Amount of business transactions with the borrower :

(1) No business transactions is "1".

(2) Business transactions amount is provided in Note 13 (1) G.

Note 6 : Provided that loans to others are for necessary short-term financing by nature, shall specifically note necessary reasons for the loans and purposes of the borrowers, for example, repayment of loans, acquisition of equipment, and financing for operation, etc.

Note 7 : The calculation of line of credit:

The limit on loans granted by the Company to a single party, related party and party with business transactions shall not be more than 25% of the Company's net assets, and limit to others is 20% of the Company's net assets.

The ceiling on loans granted by the Company to others shall not be more than 50% of the Company's net assets, and ceiling on loans granted a short-term financing borrower with no business transactions shall not be more than 40% of the Company's net assets.

The limit on loans granted by a subsidiary to a single party, related party and party with business transactions shall not be more than 50% of the subsidiary's net assets, and limit to others is 40% of the subsidiary's net assets.

The ceiling on loans granted by a subsidiary to others shall not be more than 100% of the Company's net assets, and ceiling on loans granted a short-term financing borrower with no business transactions shall not be more than 40% of the Company's net assets.

Note 8 : The amount was resolved by the Board of Directors.

Formosa Chemicals and Fibre Corporation and subsidiaries
Provision of endorsements and guarantees to others
For the six-month period ended June 30, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at June 30, 2019 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	The Company	Formosa Industries Corp., Vietnam	1	\$ 14,804,627	\$ 5,044,695	\$ 2,656,656	\$ 2,656,656	\$ -	0.74	\$ 464,356,500	Y	N	N	-
0	The Company	Formosa Group (Cayman) Limited	6	232,178,250	19,315,625	7,768,000	7,768,000	-	2.17	464,356,500	N	N	N	-
0	The Company	Formosa Ha Tinh (Cayman) Limited	6	232,178,250	21,791,720	21,419,471	21,419,471	-	6.00	464,356,500	N	N	N	-
0	The Company	Formosa Resources Corporation	6	232,178,250	3,398,290	3,340,240	3,340,240	-	0.94	464,356,500	N	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhongshan) Co., Ltd.	2	44,484,696	1,042,800	1,024,980	201,890	-	1.50	88,969,393	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	2	44,484,696	1,580,000	1,553,000	435,889	-	2.27	88,969,393	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	2	44,484,696	1,738,000	1,708,300	387,710	-	2.50	88,969,393	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	2	44,484,696	4,803,200	4,721,120	3,100,839	-	6.90	88,969,393	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Ha Tinh (Cayman) Co., Ltd.	6	44,484,696	7,330,382	7,205,116	7,205,116	-	10.53	88,969,393	N	N	N	-
2	Formosa Development Co., Ltd.	Public More Internation Company Co., Ltd.	2	188,563	3,000	3,000	3,000	-	1.03	377,127	Y	N	N	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: In accordance with Company's procedures of endorsements and guarantees, limit on the Company's total guarantee amount is 130% of the Company's net assets, the limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount. For companies having business relationship with the Company and thus being provided endorsements/guarantees, the limit on endorsements to a single party is the higher value of purchasing or selling.

Note 4: Year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: 'Y' represents cases of provision of endorsements/guarantees by listed parent company to subsidiary, provision by subsidiary to listed parent company, or provision to the party in Mainland China.

Formosa Chemicals and Fibre Corporation and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
For the six-month period ended June 30, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks_Formosa Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	486,978,692	\$ 55,759,060	7.65	\$ 55,759,060	-
The Company	Stocks_Asia Pacific Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	63,621,500	2,588,123	14.97	2,588,123	-
The Company	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	413,327,750	32,487,561	5.21	32,487,561	-
The Company	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	334,815,409	21,595,593	10.97	21,595,593	-
The Company	Stocks_Formosa Union Chemical Corp.	-	Financial assets at fair value through other comprehensive income - current	15,498,339	206,903	3.09	206,903	-
The Company	Mega Private US Dollar Money Market Funds	-	Financial assets at fair value through profit or loss - current	12,477,992	4,118,864	-	4,118,864	-
The Company	Stocks_Mai-Liao Harbor Administration Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	39,562,740	963,748	17.98	963,748	-
The Company	Stocks_Formosa Plastic Corp. U.S.A	Other related parties	Financial assets at fair value through other comprehensive income- non-current	8,999	7,439,491	2.92	7,439,491	-
The Company	Stocks_Taiwan Stock Exchange Corp.	-	Financial assets at fair value through other comprehensive income- non-current	13,872,225	1,226,860	2.00	1,226,860	-
The Company	Stocks_Taiwan Aerospace Corp.	-	Financial assets at fair value through other comprehensive income- non-current	1,070,151	20,964	0.79	20,964	-
The Company	Stocks_Yi-Jih Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	300,000	14,679	1.51	14,679	-

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks_Chinese Television System Corp.	-	Financial assets at fair value through other comprehensive income- non-current	2,376,202	\$ 43,081	1.41	\$ 43,081	-
The Company	Stocks_Formosa Plastics Maritime Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	355,880	238,820	18.22	238,820	-
The Company	Stocks_Formosa Development Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	15,246,336	275,806	18.71	275,806	-
The Company	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,925,000	89,183	12.50	89,183	-
The Company	Stocks_Formosa Plastics Marine Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,428,500	526,645	15.00	526,645	-
The Company	Stocks_Formosa Ocean Group Marine Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,622	5,603,479	19.00	5,603,479	-
The Company	Stocks_Guangyuan Investment Corp.	-	Financial assets at fair value through other comprehensive income- non-current	5,000,000	28,700	3.91	28,700	-
The Company	Stocks_Mega Growth Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income- non-current	2,500,000	19,925	1.25	19,925	-
FCFC International (Cayman) Limited	Stocks_Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets at fair value through other comprehensive income- non-current	621,178,219	15,441,000	11.43	15,441,000	-
Tah Shin Spinning Corp.	Stocks_Nan Ya Technology Corp.	-	Financial assets at fair value through other comprehensive income - current	6,367	411	-	411	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Union Chemical Corp.	-	Financial assets at fair value through other comprehensive income - current	910,919	12,161	0.19	12,161	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Lithium Iron Oxide Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	5,300,000	-	15.14	-	-
Formosa Biomedical Technology Corp.	Stocks_Formosa Network Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	283,120	8,632	1.21	8,632	-
Formosa Biomedical Technology Corp.	Stocks_Taiwan Leader Biotech Corp.	-	Financial assets at fair value through other comprehensive income- non-current	2,100,000	32,487	4.67	32,487	-

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Biomedical Technology Corp.	Stocks_United Performance Materials Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	423,720	\$ 4,830	0.46	\$ 4,830	-
Formosa Biomedical Technology Corp.	Stocks_United Biopharma, Inc.	-	Financial assets at fair value through other comprehensive income- non-current	22,179,750	357,316	12.63	357,316	-
Formosa Biomedical Technology Corp.	Stocks_UBI Pharma Inc.	-	Financial assets at fair value through other comprehensive income- non-current	26,597,922	221,561	18.81	221,561	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Chemicals & Fibre Corp.	Parent company	Financial assets at fair value through other comprehensive income - current	12,169,610	1,253,470	0.21	1,253,470	3
Formosa Taffeta Co., Ltd.	Stocks_Pacific Electric Wire & Cable Corp., Ltd.	-	Financial assets at fair value through other comprehensive income - current	32	-	-	-	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	640	74	-	74	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	482,194	37,900	0.01	37,900	-
Formosa Taffeta Co., Ltd.	Stocks_Asia Pacific Investment Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	10,000,000	406,800	2.35	406,800	-
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	7,711,010	497,360	0.25	497,360	-
Formosa Taffeta Co., Ltd.	Stocks_Formosa Petrochemical Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	365,267,576	40,362,067	3.83	40,362,067	-
Formosa Taffeta Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets at fair value through other comprehensive income- non-current	191,885	4,037	0.45	4,037	-
Formosa Taffeta Co., Ltd.	Stocks_Toa Resin Corp., Ltd.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	14,400	33,961	10.00	33,961	-
Formosa Taffeta Co., Ltd.	Stocks_Shin Yun Natural Gas Corp.	-	Financial assets at fair value through other comprehensive income- non-current	676,441	17,724	1.20	17,724	-
Formosa Taffeta Co., Ltd.	Stocks_Wk Technology Fund IV Ltd.	-	Financial assets at fair value through other comprehensive income- non-current	1,348,731	12,673	3.17	12,673	-

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Formosa Taffeta Co., Ltd.	Stocks_Nan Ya Optical Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	4,393,973	\$ 62,043	9.53	\$ 62,043	-
Formosa Taffeta Co., Ltd.	FG INC	Other related parties	Financial assets at fair value through other comprehensive income- non-current	600	274,881	3.00	274,881	-
Formosa Taffeta (Cayman) Co., Ltd.	Stocks_Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets at fair value through other comprehensive income- non-current	209,010,676	5,195,504	3.85	5,195,504	-
Formosa Development Co., Ltd.	Stocks_Formosa Taffeta Co., Ltd.	Parent company	Financial assets at fair value through other comprehensive income- non-current	2,193,228	85,755	0.13	85,755	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	146,388	16,761	-	16,761	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Plastics Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	2,907,512	228,531	0.04	228,531	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Chemicals & Fibre Corp.	Ultimate parent company	Financial assets at fair value through other comprehensive income - current	15,249,000	1,570,647	0.26	1,570,647	3
Formosa Advanced Technologies Co., Ltd.	Stocks_Formosa Petrochemical Corp.	Other related parties	Financial assets at fair value through other comprehensive income - current	1,110,000	122,655	0.01	122,655	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Technology Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	7,376,215	475,766	0.24	475,766	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Nan Ya Optical Corp.	Other related parties	Financial assets at fair value through other comprehensive income- non-current	2,196,986	31,023	4.77	31,023	-
Formosa Advanced Technologies Co., Ltd.	Stocks_Syntronix Corporation	-	Financial assets at fair value through other comprehensive income- non-current	65,939	1,346	0.15	1,346	-
Formosa Advanced Technologies Co., Ltd.	Beneficiary certificates_Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	20,396,748	256,071	-	256,071	-
Formosa Advanced Technologies Co., Ltd.	Beneficiary certificates_Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	20,240,320	300,241	-	300,241	-

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: The column is left blank if the issuer of marketable securities is non-related party.

Note 3: The Company's stocks held by the subsidiaries—Formosa Taffeta Co., Ltd. and Formosa Advanced Technologies Co., Ltd.—are deemed as treasury stocks. Details are provided in Note 6 (15).

Formosa Chemicals and Fibre Corporation and subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the six-month period ended June 30, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2019		Addition (Note 3)		Disposal (Note 3)			Balance as at June 30, 2019			
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	
The Company	FG INC.	Investments accounted for under equity method	FG INC.	Associates	6,000	\$ 2,009,968	-	\$ 694,710	-	\$ -	\$ -	-	\$ -	6,000	\$ 2,710,336
The Company	FCFC Investment Corp. (Cayman)	Investments accounted for under equity method	-	-	56,000	46,663,473	-	3,743,844	-	-	-	-	-	56,000	53,254,625
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Investments accounted for under equity method	-	-	-	32,972,128	-	3,743,844	-	-	-	-	-	-	38,710,847
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Investments accounted for under equity method	-	-	-	32,972,128	-	3,743,844	-	-	-	-	-	-	38,710,847
Formosa Advanced Technologies Co., Ltd.	Beneficiary certificates_Jih Sun Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	15,147,454	224,084	20,240,320	300,000	15,147,454	224,167	224,084	83	20,240,320	300,241	

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

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach \$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In case that shares were issued with no par value or a par value other than NT\$10 per share, the 20% of paid-in capital level shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Formosa Chemicals and Fibre Corporation and subsidiaries
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
For the six-month period ended June 30, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions					
Transaction							(Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)	Footnote (Note 1)
The Company	Formosa Plastics Corp.	Other related parties	Sales	(\$ 821,453)	(1)	30 days	\$ -	-	\$ 164,028		1	-
The Company	Nan Ya Plastics Corp.	Other related parties	Sales	(12,574,925)	(12)	30 days	-	-	2,309,615		14	-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Sales	(861,729)	(1)	60 days	-	-	Notes receivable 133,217		35	-
									Accounts receivable 439,730		3	-
The Company	Formosa Taffeta (Dong Nai) Corp.	Subsidiary	Sales	(184,918)	-	60 days	-	-	93,905		1	-
The Company	Formosa Petrochemical Corp.	Associates	Sales	(10,002,146)	(9)	30 days	-	-	1,193,672		7	-
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd	Subsidiary	Sales	(15,142,950)	(14)	90 days	-	-	5,133,038		31	-
The Company	Formosa Industries Corp., Vietnam	Subsidiary	Sales	(1,412,125)	(1)	30 days	-	-	382,039		2	-
The Company	PFG Fiber Glass Corp.	Other related parties	Sales	(225,393)	-	30 days	-	-	48,327		-	-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary	Sales	(6,626,260)	(6)	30 days	-	-	1,120,385		7	-
The Company	Formosa Plastics Corp. U.S.A	Other related parties	Sales	(113,048)	-	30 days	-	-	39,734		-	-
The Company	Formosa Plastics Corp.	Other related parties	Purchases	3,348,846	4	30 days	-	-	(620,134)	(	5)	-
The Company	Nan Ya Plastics Corp.	Other related parties	Purchases	4,298,952	5	30 days	-	-	(633,020)	(	5)	-

							Differences in transaction terms compared to third party transactions					
Transaction							(Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 1)	
The Company	Formosa Petrochemical Corp.	Associates	Purchases	\$ 55,123,886	65	30 days	\$ -	-	(\$ 7,067,846) (	57)	-
Formosa BP Chemicals Corp.	The Company	Parent company	Sales	(585,732) (	18)	30 days	-	-	98,737	10	-
Formosa BP Chemicals Corp.	BP Chemicals (Malaysia) SDN Corp.	Associates	Sales	(734,341) (	23)	90 days	-	-	179,977	19	-
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Associates	Sales	(309,221) (	9)	30 days	-	-	49,327	5	-
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Associates	Purchases	1,117,332	54	45 days	-	-	(193,794) (	63)	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates	Sales	(1,357,868) (	38)	30 days	-	-	260,042	38	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties	Sales	(1,220,345) (	34)	30 days	-	-	229,793	34	-
Formosa Power (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	(266,531) (	7)	30 days	-	-	38,278	6	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties	Sales	(3,371,897) (	8)	90 days	-	-	574,921	4	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Plastics Corp.	Other related parties	Purchases	1,233,207	4	90 days	-	-	(654,743) (	7)	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Petrochemical Corp.	Associates	Purchases	1,602,353	5	90 days	-	-	(248,279) (	3)	-
Formosa Industries Corp.	The Company	Parent company	Sales	(156,108) (	1)	60 days	-	-	70,876	3	-
Formosa Industries Corp.	Formosa Taffeta (Dong Nai) Corp.	Associates	Sales	(356,645) (	2)	60 days	-	-	109,597	4	-
Formosa Industries Corp.	Formosa Plastics Corp.	Other related parties	Purchases	199,224	2	30 days	-	-	(64,396) (	4)	-

							Differences in transaction terms compared to third party transactions					
Transaction							(Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 1)	
Formosa Industries Corp.	Nan Ya Plastics Corp.	Other related parties	Purchases	\$ 1,376,743	11	30 days	\$ -	-	(\$ 516,795)	(32)	-	
Formosa Idemitsu Petrochemical Corp.	The Company	Parent company	Sales	(681,103)	(10)	30 days	-	-	33,919	4	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Europe Co., Ltd.	Associates	Sales	(138,645)	(2)	30 days after closing date	-	-	20,895	3	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals Taiwan Corp.	Associates	Sales	(251,837)	(4)	30 days after closing date	-	-	41,505	5	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Kosan Co., Ltd.	Associates	Sales	(591,861)	(8)	30 days after closing date	-	-	144,550	19	-	
Formosa Idemitsu Petrochemical Corp.	Idemitsu Chemicals (Hong Kong) Co., Ltd.	Associates	Sales	(320,088)	(5)	30 days after closing date	-	-	83,885	11	-	
Formosa Taffeta Co., Ltd.	Quang Viet Enterprise Co., Ltd.	Associates	Sales	(276,875)	(2)	Pay by mail transfer 60 days after delivery	-	-	Notes receivable 116	-	-	
Formosa Taffeta Co., Ltd.	Yugen Co., Ltd	Other related parties	Sales	(142,609)	(1)	Pay 120 days after delivery	-	-	Accounts receivable 103,105	4	-	
Formosa Taffeta Co., Ltd.	Formosa Petrochemical Corp.	Other related parties	Purchases	5,460,078	46	Pay every 15 days by mail transfer	-	-	(601,937)	(34)	-	
Formosa Taffeta Co., Ltd.	The Company	Parent company	Purchases	861,729	7	Draw promissory notes due in 2 months after inspection	-	-	Notes payable (133,217)	(7)	-	
Formosa Taffeta Co., Ltd.	Nan Ya Plastics Corp.	Other related parties	Purchases	474,951	4	Pay every 15 days by mail transfer	-	-	(62,324)	(3)	-	
Formosa Taffeta Co., Ltd.	Formosa Plastics Corp.	Other related parties	Purchases	128,865	1	Pay every 15 days by mail transfer	-	-	(26,743)	(1)	-	

							Differences in transaction terms compared to third party transactions					
Transaction							(Note 1)		Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 1)	
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Other related parties	Sales	(\$ 3,350,601)	(75)	60 days	\$ -	-	\$ 1,130,019	69	-	
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates	Sales	(213,761)	(20)	60 days	-	-	183,846	45	-	
Formosa Taffeta (Vietnam) Co., Ltd.	Formosa Industries Corp.,Vietnam	Associates	Purchases	105,071	12	60 days	-	-	(17,036)	(16)	-	
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Associates	Sales	(208,984)	(8)	60 days	-	-	143,082	11	-	
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta Co., Ltd.	Parent company	Sales	(221,913)	(8)	60 days	-	-	84,584	6	-	
Formosa Taffeta (Dong Nai) Co., Ltd.	Kwang Viet (Vietnam) Co., Ltd.	Other related parties	Sales	(146,641)	(6)	60 days	-	-	94,774	7	-	
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Industries Corp.,Vietnam	Associates	Purchases	377,356	18	60 days	-	-	(47,507)	(9)	-	
Formosa Taffeta (Dong Nai) Co., Ltd.	The Company	Parent company	Purchases	201,721	10	60 days	-	-	(78,303)	(15)	-	
Formosa Taffeta (Changshu) Co., Ltd	Jiaxing Quang Viet Garment Co., Ltd.	Other related parties	Sales	(148,776)	(14)	Pay by mail transfer 60 days after delivery	-	-	86,255	18	-	

Note 1: The disclosed transaction is the revenue side and related transactions are no longer disclosed.

Formosa Chemicals and Fibre Corporation and subsidiaries
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
For the six-month period ended June 30, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2019		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts		
			(Note 1)			Amount	Action taken				
The Company	Formosa Plastics Corp.	Other related parties	\$	16,428	10.46	\$	-	\$	164,028	\$	-
The Company	Nan Ya Plastics Corp.	Other related parties		2,309,615	10.06		-		2,309,615		-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Notes receivable	133,217	2.83		-		122,457		-
			Accounts receivable	439,730				152,599			
The Company	Formosa Petrochemical Corp.	Associates		1,193,672	11.22		-		1,193,672		-
The Company	Formosa Industries Corp., Vietnam	Subsidiary	Accounts receivable	382,039	5.69		-		241,132		-
			Other receivables	124,580			-		88,345		-
			Accounts receivable	5,133,038	3.96		-		2,555,699		-
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Subsidiary	Other receivables	134,425				-			-
				1,120,385	11.03		-		1,120,385		-
Formosa BP Chemicals Corp	BP Chemicals (Malaysia) SDN Corp.	Associates		179,977	3.48		-		39,521		-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Kosan Co., Ltd.	Associates		144,550	11.52		-		144,550		-
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Associates		260,042	10.41		-		260,042		-
Formosa Power (Ningbo) Co., Ltd.	Formosa Plastics (Ningbo) Co., Ltd.	Other related parties		229,793	10.69		-		229,793		-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	Other related parties		574,921	10.81		-		574,921		-
Formosa Industries Corp., Vietnam	Formosa Taffeta (Dong Nai) Co., Ltd.	Other related parties		109,597	6.90		-		57,346		-
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Other related parties		1,130,019	6.27		-		570,757		-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Associates		183,846	2.17		-		37,426		-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Associates		143,082	8.71		-		67,253		-
Formosa Taffeta Co., Ltd.	Kuang Yueh Co., Ltd	Associates	Notes receivable	116	7.67		-		-		-
			Accounts receivable	103,105			-		42,827		-

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Formosa Chemicals and Fibre Corporation and subsidiaries
Significant inter-company transactions during the reporting period
For the six-month period ended June 30, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	1	Sales revenue	(\$ 15,142,950)	In regular terms	(9)
0	The Company	Formosa Idemitsu Petrochemical Corp.	1	Sales revenue	(6,626,260)	In regular terms	(4)

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

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: If the transaction amount in this sheet reaches 3% of consolidated operating income or total assets, it is considered material.

Formosa Chemicals and Fibre Corporation and subsidiaries
Information on investees (Excluding those in Mainland China)
For the six-month period ended June 30, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
The Company	Tah Shin Spinning Corp.	Taiwan	Spinning	\$ 5,549	\$ 5,549	1,728,000	86.40	\$ 36,129	(\$ 4,136)	(\$ 3,574)	-
The Company	Formosa Taffeta Co., Ltd.	Taiwan	Spinning	719,003	719,003	630,022,431	37.40	24,922,458	2,659,627	949,974	-
The Company	Formosa Heavy Industries Corp.	Taiwan	Machinery	2,497,721	2,497,721	651,706,181	32.91	7,855,217	223,566	74,202	-
The Company	Formosa Fairway Corporation	Taiwan	Transportation	33,320	33,320	4,697,951	33.33	99,551	(10,916)	(3,639)	-
The Company	Formosa Plastics Transport Corp.	Taiwan	Transportation	299,272	299,272	6,566,384	33.33	1,048,605	50,398	13,368	-
The Company	Formosa Petrochemical Corp.	Taiwan	Chemistry	25,842,468	25,842,468	2,300,799,801	24.15	75,824,630	17,251,391	4,015,253	-
The Company	Mai-Liao Power Corp.	Taiwan	Electricity generation	5,985,531	5,985,531	547,030,137	24.94	11,547,272	1,123,334	280,160	-
The Company	FCFC Investment Corp. (Cayman)	Cayman Islands	Investments	34,012,602	30,268,758	56,000	100.00	53,254,625	2,399,488	2,399,488	-
The Company	Hwa Ya Science Park Management Consulting Co., Ltd.	Taiwan	Management	340	340	33,000	33.00	1,563	183	60	-
The Company	Chia-Nan Enterprise Corporation	Taiwan	Electricity generation	225,034	225,034	12,448,800	30.00	252,374	12,923	3,842	-
The Company	Formosa Idemitsu Petrochemical Corp.	Taiwan	Wholesale and retail of petrochemical and plastic raw materials	299,999	299,999	60,000,000	50.00	1,365,403	254,103	129,398	-
The Company	Formosa Industries Corp., Vietnam	Vietnam	Textile, polyester staple fibre, cotton	8,435,801	8,435,801	-	42.50	8,342,965	418,682	177,940	-

Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
The Company	Formosa BP Chemicals Corp.	Taiwan	Chemistry, international of petrochemistry	\$ 1,201,500	\$ 1,201,500	120,150,000	50.00	\$ 1,612,966	\$ 330,523	\$ 178,184	-
The Company	Formosa Environmental Technology Co.	Taiwan	Disposals of wastes and sewage	417,145	417,145	41,714,475	24.34	225,744 (	480) (	117)	-
The Company	Formosa Biomedical Technology Corp.	Taiwan	Manufacturing and sale of cosmetics	1,566,879	1,566,879	147,556,136	88.59	1,270,519	167,146	148,073	-
The Company	Formosa Carpet Corp.	Taiwan	Yarn spinning mills, finishing of textiles and carpet manufacturing	300,000	300,000	22,037,185	100.00	206,000 (	58) (	58)	-
The Company	Formosa Synthetic Rubber Corp.	Taiwan	Manufacturing of synthetic rubber	400,000	400,000	40,000,000	33.33	252,100 (	988) (	328)	-
The Company	Formosa Synthetic Rubber (Hong Kong) Co., Ltd.	Hong Kong	Manufacturing of synthetic rubber	4,163,050	4,163,050	135,000,000	33.33	2,465,061 (	269,829) (	89,934)	-
The Company	Formosa Resources Corporation	Taiwan	Mining industry and its trading, wholesale of chemical material and international trading	5,845,940	5,845,940	584,594,000	25.00	5,290,996 (	456,526) (	114,131)	-
The Company	Formosa Group Corp. (Cayman)	Cayman Islands	Investments	377	377	12,500	25.00	654,327	65,066	16,267	-
The Company	Formosa Construction Corp.	Taiwan	Development and sale of rebuilt housing, buildings and plants under urban redevelopment	100,000	100,000	10,000,000	33.33	78,978 (	9,968) (	3,323)	-
The Company	FG INC.	United States	Investments	2,675,304	1,980,594	6,000	30.00	2,710,336 (	69,510) (	20,853)	-
The Company	FCFC International (Cayman) Limited	Cayman Islands	Investments	17,823,278	17,823,278	50,000	100.00	15,441,174	-	-	-
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Hong Kong	Investments	29,959,815	26,215,971	-	100.00	38,710,847	1,776,406	1,776,406	-

Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Formosa Biomedical Technology Corp.	Beyoung International Corp.	Taiwan	International trading	\$ 90,000	\$ 90,000	467,400	30.00	\$ 94,390	\$ 4,877	\$ 1,688	-
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Taiwan	Recycle of spent catalyst	353,389	353,389	23,486,218	61.00	308,472	217,753	132,829	-
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (Samoa) Co., Ltd.	Samoa	Investments	29,610	29,610	-	100.00	4,569 (	728) (	728)	-
Formosa Biomedical Technology Corp.	Formosa Waters Technology Co., Ltd.	Taiwan	1.Industrial Catalyst 2.Wholesale of Other Chemical Products	7,650	7,650	765,001	57.00	10,775	3,571	1,619	-
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Taiwan	1.Handling urban land consolidation 2.Development, rent and sale of industrial plants, residences and building	114,912	114,912	16,100,000	100.00	216,590	3,589	3,589	-
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	2,681,906	2,681,906	206,442,472	46.68	5,657,951	600,189	280,168	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Hong Kong	Sale of spun fabrics and filament textile	1,356,862	1,356,862	-	100.00	1,203,897	59,943	59,943	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Vietnam	Production, processing, further processing various yam and cotton cloth, dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	2,069,342	92,933	92,933	-

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Investor	Investee (Note 1,2)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2019			Net profit (loss) of the investee for the six-month period ended June 30, 2019	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Footnote
				Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Formosa Taffeta Co., Ltd.	Kuang Yueh Co., Ltd.	Taiwan	Processing and production of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	\$ 213,771	\$ 213,771	18,595,352	17.99	\$ 1,253,013	\$ 381,390	\$ 47,053	-
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Hong Kong	Trading of textiles	2,958	2,958	-	50.00	6,374	1,256	628	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,590,434	-	100.00	2,319,442	3,315	3,315	-
Formosa Taffeta Co., Ltd.	Formosa Industries Corp., Vietnam	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	1,987,122	1,987,122	-	10.00	2,066,183	471,543	49,677	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Cayman Islands	Investments	6,241,670	6,241,670	171,028,736	100.00	5,195,556	-	-	-
Formosa Development Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	24,569	600,189	655	-
Formosa Development Co., Ltd.	Public More Internation Co., Ltd.	Taiwan	Employment service, manpower allocation and agency service	5,000	5,000	-	100.00	9,278	3,637	3,637	-

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at June 30, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the six-month period ended June 30, 2019' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Formosa Chemicals and Fibre Corporation and subsidiaries
Information on investments in Mainland China
For the six-month period ended June 30, 2019

Table 9 Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee for the six-month period ended June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	\$ 4,834,511	1	\$ 4,051,414	\$ -	\$ -	\$ 4,051,414	\$ 623,082	100.00	\$ 623,082	\$ 14,914,068	\$ -	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Production and market of PTA	35,575,404	1	26,215,971	3,743,844	-	29,959,815	1,776,406	100.00	1,776,406	38,710,847	-	-
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Production and sale of synthetic rubber	12,777,478	4	4,163,050	-	-	4,163,050	(269,829)	33.00	(89,934)	2,465,061	-	-
Formosa Biomedical Trading (Shanghai) Co., Ltd.	Investments	29,610	1	29,610	-	-	29,610	(728)	100.00	(728)	(1,506)	-	-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Production and sale of polyester and polyamide fabrics	1,402,085	1	1,402,085	-	-	1,402,085	72,474	100.00	72,474	1,783,350	-	3
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Import and export, entrepot trade, merchandise exhibition, export processing, warehousing and design and drawing of black and white and colour graphs	15,273	1	15,273	-	-	15,273	(269)	100.00	(269)	13,011	-	4

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee for the six-month period ended June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2019	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Footnote
				Remitted to Mainland China	Remitted back to Taiwan								
Formosa Taffeta (Changshu) Co., Ltd.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	\$ 1,302,019	2	\$ 1,334,739	\$ -	\$ -	\$ 1,334,739	\$ 60,059	100.00	\$ 60,059	\$ 1,085,157	\$ -	5
Changshu Yu Yuan Development Co., Ltd.	Building and selling real estate	70,788	2	-	-	-	-	(397)	40.78	(162)	16,390	-	6

Note 1: Investment methods are classified into the following three categories.

(1) Directly invest in a company in Mainland China..

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

(4) Formosa Power (Ningbo) Co., Ltd. is an investee company in Mainland China through the Company's investee - FCFC Investment Corp. (Cayman).

Formosa Chemicals Industries (Ningbo) Co., Ltd., Formosa PS (Ningbo) Co., Ltd., Formosa ABS Plastics (Ningbo) Co., Ltd. and Formosa Phenol (Ningbo) Limited Co. were investee companies in Mainland China through the Company's investee - FCFC Investment Corp. (Cayman). After share structure adjustment in 2008 and 2014, the parent company of the 4 investees became Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.

Formosa Chemicals & Fibre (Hong Kong) Co., Ltd. is a wholly-owned subsidiary through reinvestment of FCFC Investment Corp. (Cayman).

Formosa Synthetic Rubber (Ningbo) Co., Ltd. is an investee company in Mainland China through the investee - Formosa Synthetic Rubber (Hong Kong) Co., Ltd..

Formosa Biomedical Trading (Shanghai) Co., Ltd. is an investee company in Mainland China through the investee - Formosa Biomedical (Samoa) Co., Ltd..

Formosa Taffeta (Changshu) Co., Ltd. is an investee company in Mainland China through the subsidiary - Formosa Taffeta (Hong Kong) Co., Ltd..

The Company is the surviving company after the consolidation of Changshu Yu Yuan Development Co., Ltd. and Changshu Fushun Enterprise Management Co., Ltd. Its paid-in capital is RMB\$13,592,920.

Note 2: The investment income (loss) recognised in the current period was based on the financial statements that were not reviewed by the independent accountants, except for Formosa Chemicals Industries (Ningbo) Co., Ltd. whose financial statements were reviewed by the parent company's CPA.

Note 3: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2019 and that as of June 30, 2019 all amount to US\$46,400,000.

(The remittance of US\$46,388,800 and the capitalised value of machinery and equipment of US\$11,200)

Note 4: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2019 and that as of June 30, 2019 all amount to US\$570,000.

Note 5: The Company's paid-in capital, accumulative remittance from Taiwan as of January 1, 2019 and that as of June 30, 2019 all amount to US\$42,000,000. In order to effectively utilise the residential land of the Company, Formosa Chemicals & Fibre Co. split the residential land and established Changshu Fushun Enterprise Management Co., Ltd. by capitalizing the residential land in the first quarter, 2015.

Formosa Chemicals & Fibre Co. reduced the capital of Formosa Taffeta (Changshu) Co., Ltd. by US\$900,000, so the Company's paid-in capital amounts to \$41,100,000.

Note 6: The Company is the surviving company after the merger with Changshu Yu Yuan Development Co., Ltd. in the third quarter, 2015. The paid-in capital of the Company is RMB\$13,592,920.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 38,174,279	\$ 44,235,031	Note

Note: Corporations that are qualified with operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C.

Formosa Chemicals and Fibre Corporation and subsidiaries
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
For the six-month period ended June 30, 2019

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing					
	Amount	%	Amount	%	Balance at June 30, 2019	%	Balance at June 30, 2019	Purpose	Maximum balance during the six-month period ended June 30, 2019	Balance at June 30, 2019	Interest rate	Interest during the six- month period ended June 30, 2019	Others	
Formosa Taffeta (Zhongshan) Co., Ltd.	\$ 10,547	0.07	\$ -	-	\$ 3,198	0.13	\$ 1,024,980	For short-term loans from financial institutions	\$ -	\$ -	-	\$ -	-	
Formosa Taffeta (Changshu) Co., Ltd.	27,366	0.19	-	-	14,722	0.60	1,708,300	For short-term loans from financial institutions	-	-	-	-	-	