Stock Code:1301

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

FORMOSA PLASTICS CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(With Independent Auditors' Report Thereon)

Address：No.100, Shuiguan Rd., Renwu Dist., Kaohsiung City 814, Taiwan (R.O.C.)
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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Formosa Plastics Corporation:

Opinion

We have audited the financial statements of Formosa Plastics Corporation (the "Company") which comprise the statements of financial position as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuer.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   As the transfer of risks and rewards from the sales occurs at different points in time, it exposes the risk wherein revenue may not be recognized within the proper period. For this reason, revenue recognition is considered to be one of the key audit matters. The accounting policies and the related information for revenue recognition were discussed in Notes 4(o) and 6(o) to the consolidated financial statements.

   The principal audit procedures we have performed to address the aforementioned key audit matter included assessing the rationality of accounting treatment for revenue recognition; vouching the original sales documents according to the transactions with the customers during a selected period of time before and after the balance sheet date to evaluate whether the revenue is recorded appropriately.

2. Valuation of Inventories

   The Group measured the cost and net realizable value of inventory and recognized a loss on the balance sheet date according to IAS 2 (including loss on obsolescence of inventories); however, to determine whether or not the loss of inventories should be recognized depends on the subjective judgment of the management. For this reason, the valuation of inventories is considered to be one of the key audit matters. The accounting policies and the related information for the valuation of inventories were discussed in Notes 4(g), 5 and 6(d) to the consolidated financial statements.

   The principal audit procedures we have performed to address the aforementioned key audit matter included assessing the appropriateness of the policy on inventory valuation and slack loss recognition; ensuring whether the process of inventory valuation is in conformity with the accounting policies, confirming the sales price adopted by the management and the changes in the market price of inventory in the period after the balance sheet date; and sampling procedures to assess the reasonableness of the net realizable value of inventory.

Other Matter

We did not audit the financial statements of certain investee companies under equity method. The Company's investments in the aforementioned investee companies constituted 33.77% and 32.70% of the total assets as of December 31, 2017 and 2016, respectively; and the recognized shares of profit of associates accounted for using equity method of these investee companies constituted 53.19% and 64.47% of the income before tax for the years ended December 31, 2017 and 2016, respectively. The financial statements of the aforementioned investee companies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investee companies, is based solely on the reports of other auditors.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiu-Lan Chen and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2018

Notes to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuer and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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

FORMOSA PLASTICS CORPORATION

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2017 Amount	%	December 31, 2016 Amount	%
1100	Cash and cash equivalents (Note 6(a))	$ 14,499,334	3	15,465,516	4
1125	Available-for-sale financial assets－current (Note 6(b))	111,581,327	25	97,540,570	22
1150	Notes receivable (Note 6(c))	95,454	-	326,334	-
1170	Accounts receivable, net (Note 6(c))	5,794,785	1	6,147,003	2
1180	Accounts receivable－related parties (Notes 6(c) and 7)	6,295,229	1	5,282,199	1
1200	Other receivables (Note 6(c))	1,301,658	-	1,029,427	-
1210	Other receivables－related parties (Notes 6(c) and 7)	16,733,665	4	21,570,278	5
130X	Inventories (Note 6(d))	11,970,674	3	11,425,066	3
1470	Other current assets	1,617,147	-	1,616,093	-
	Total current assets	169,889,273	37	160,402,486	37
1543	Financial assets carried at cost－non-current (Note 6(e))	2,462,768	1	2,462,768	1
1550	Investments accounted for using equity method (Notes 6(e) and 8)	242,200,819	53	227,313,038	52
1600	Property, plant and equipment (Notes 6(f), 7 and 8)	33,679,540	7	38,930,009	9
1780	Intangible assets	124,762	-	124,762	-
1840	Deferred tax assets (Note 6(l))	2,016,425	1	1,301,125	-
1900	Other assets (Notes 6(c), 7 and 8)	5,097,993	1	5,014,873	1
	Total non-current assets	285,582,307	63	275,146,575	63
	Total assets	**$ 455,471,580**	**100**	**435,549,061**	**100**

	Liabilities and Equity	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Notes 6(g) and 8)	$ 8,347,337	2	16,141,283	4
2110	Short-term notes and bills payable (Note 6(h))	9,495,509	2	9,999,566	2
2170	Accounts payable	2,873,396	1	3,640,349	1
2180	Accounts payable－related parties (Note 7)	8,522,863	2	7,793,632	2
2200	Other payables	3,387,704	1	2,219,319	-
2220	Other payables－related parties (Note 7)	1,107,851	-	1,024,896	-
2321	Current portion of bonds payable (Note 6(j))	5,696,600	1	10,742,038	2
2322	Current portion of long-term debts (Notes 6(i) and 8)	4,084,327	1	2,403,175	1
2399	Other current liabilities	11,266,843	2	11,152,751	3
	Total current liabilities	54,782,430	12	65,117,009	15
	Non-Current liabilities:				
2530	Bonds payable (Note 6(j))	27,861,638	6	26,566,185	6
2540	Long-term debts (Notes 6(i) and 8)	5,813,038	1	10,192,804	2
2570	Deferred tax liabilities (Note 6(l))	14,464,611	3	13,109,101	3
2640	Net defined benefit liabilities (Note 6(k))	7,262,543	2	7,067,119	2
2670	Other liabilities (Note 6(e))	277,154	-	426,356	-
	Total non-current liabilities	55,678,984	12	57,361,565	13
	Total liabilities	110,461,414	24	122,478,574	28
	Equity (Notes 6(l)(m)):				
3110	Common stock	63,657,408	14	63,657,408	15
3200	Capital surplus	11,649,929	3	11,428,970	3
	Retained earnings:				
3310	Legal reserve	52,165,530	12	48,226,276	11
3320	Special reserve	51,285,206	11	46,721,324	11
3350	Unappropriated retained earnings	78,699,082	17	67,703,039	15
	Total retained earnings	182,149,818	40	162,650,639	37
3400	Other components of equity	87,553,011	19	75,333,470	17
	Total equity	345,010,166	76	313,070,487	72
	Total liabilities and equity	**$ 455,471,580**	**100**	**435,549,061**	**100**

See accompanying notes to financial statements.

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

FORMOSA PLASTICS CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (Notes 6(o) and 7)**	$ 170,273,933	100	149,792,471	100
5000	Operating costs (Notes 6(d)(k)(p) and 7)	140,753,716	83	129,509,789	86
	Gross profit	29,520,217	17	20,282,682	14
5920	Add: Realized profit (loss) from sales	13,195	-	(19,177)	-
	Gross profit from operations	29,533,412	17	20,263,505	14
	Operating expenses (Notes 6(c)(f)(k)(p) and 7):				
6100	Selling expenses	4,750,260	3	4,474,276	3
6200	Administrative expenses	4,524,232	3	4,504,861	3
6300	Research and development expenses	968,395	-	788,409	1
	Total operating expenses	10,242,887	6	9,767,546	7
	Operating income	19,290,525	11	10,495,959	7
	Non-operating income and expenses (Notes 6(c)(e)(f)(q) and 7):				
7010	Other income	6,182,632	4	5,228,049	4
7020	Other gains and losses	(2,270,887)	(1)	(414,311)	-
7050	Finance costs	(964,044)	(1)	(1,012,699)	(1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	32,631,087	19	28,962,029	19
	Total non-operating income and expenses	35,578,788	21	32,763,068	22
	Income before income tax	54,869,313	32	43,259,027	29
7950	Less: income tax expense (Note 6(l))	5,486,460	3	3,866,484	3
	Net income	49,382,853	29	39,392,543	26
8300	**Other comprehensive income (Notes 6(k)(l)(m)) :**				
8310	**Item that could not be reclassified subsequently to profit or loss**				
8311	Remeasurements of the net defined benefit liabilities	(577,649)	-	(559,495)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(121,817)	-	93,130	-
8349	Income tax expense related to items that could not be reclassified subsequently to profit or loss	98,200	-	95,114	-
	Total amount of items that could not be reclassified subsequently to profit or loss	(601,266)	-	(371,251)	-
8360	**Items that could be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	(6,363,713)	(4)	(4,325,453)	(3)
8362	Unrealized gains on available-for-sale financial assets	14,838,705	9	13,334,020	9
8391	Other components of other comprehensive income that will be reclassified to profit or loss	2,508,328	1	1,298,980	1
8399	Income tax benefit related to components of other comprehensive income	1,236,221	1	341,738	-
	Total amount of items that could be reclassified subsequently to profit or loss	12,219,541	7	10,649,285	7
8300	**Total other comprehensive income, net of tax**	11,618,275	7	10,278,034	7
	Total comprehensive income	**$ 61,001,128**	**36**	**49,670,577**	**33**
	Basic earnings per share				
9710	-before income tax (Note 6(n))	**$ 8.62**	**7.76**	**6.80**	**6.19**

See accompanying notes to financial statements.

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FORMOSA PLASTICS CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total equity
Balance at January 1, 2016	$ 63,657,408	11,443,715	45,138,549	43,706,916	58,804,131	7,182,538	57,419,371	82,276	287,434,904
Net Income for the year	-	-	-	-	39,392,543	-	-	-	39,392,543
Other comprehensive income (loss) for the year, net of income tax	-	-	-	-	(371,251)	(4,388,309)	15,068,813	(31,219)	10,278,034
Total comprehensive income (loss) for the year	-	-	-	-	39,021,292	(4,388,309)	15,068,813	(31,219)	49,670,577
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	3,087,727	-	(3,087,727)	-	-	-	-
Special reserve appropriated	-	-	-	3,014,408	(3,014,408)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(22,916,667)	-	-	-	(22,916,667)
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	-	(1,103,582)	-	-	-	(1,103,582)
Other changes in capital surplus:									
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	(14,664)	-	-	-	-	-	-	(14,664)
Other changes in capital surplus	-	(81)	-	-	-	-	-	-	(81)
Balance at December 31, 2016	63,657,408	11,428,970	48,226,276	46,721,324	67,703,039	2,794,229	72,488,184	51,057	313,070,487
Effects of retrospective application and retrospective restatement	-	-	-	-	-	-	-	-	-
Retrospective adjustment of equity attributable to former owner due to reorganization of entities under common control	-	-	-	-	-	-	-	-	-
Equity at beginning of period after adjustments	63,657,408	11,428,970	48,226,276	46,721,324	67,703,039	2,794,229	72,488,184	51,057	313,070,487
Net Income for the year	-	-	-	-	49,382,853	-	-	-	49,382,853
Other comprehensive income (loss) for the year, net of income tax	-	-	-	-	(601,266)	(6,019,258)	18,280,305	(41,506)	11,618,275
Total comprehensive income (loss) for the year	-	-	-	-	48,781,587	(6,019,258)	18,280,305	(41,506)	61,001,128
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	3,939,254	-	(3,939,254)	-	-	-	-
Special reserve appropriated	-	-	-	4,563,882	(4,563,882)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(29,282,408)	-	-	-	(29,282,408)
Other changes in capital surplus:									
Changes in equity of associates and joint ventures accounted for using equity method	-	917	-	-	-	-	-	-	917
Other changes in capital surplus	-	220,042	-	-	-	-	-	-	220,042
Balance at December 31, 2017	**$ 63,657,408**	**11,649,929**	**52,165,530**	**51,285,206**	**78,699,082**	**(3,225,029)**	**90,768,489**	**9,551**	**345,010,166**

Note：Employees' bonuses of $69,454 and $59,169 were expensed under the statements of comprehensive income for the years ended December 31, 2017 and 2016, respectively.

See accompanying notes to financial statements.

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FORMOSA PLASTICS CORPORATION

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Income before income tax	$ 54,869,313	43,259,027
Adjustments for:		
Incomes and expenses not affecting cash flows:		
Depreciation expense	5,238,826	5,672,779
Amortization expense	197,548	189,341
(Reversal of provision) provision for bad debt expense	(1,678)	1,747
Interest expense	964,044	1,012,699
Interest income	(424,718)	(304,296)
Dividend income	(5,606,734)	(4,771,936)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(32,631,087)	(28,962,029)
Gain on disposal of property, plant and equipment	(10,925)	(3,295)
Gain on disposal of investments	(1,762,716)	-
Impairment loss on non-financial assets	2,347,867	-
Realized (gain) loss on from sales	(13,195)	19,177
Unrealized foreign exchange loss (gain)	115,764	(294,232)
Total adjustments to reconcile profit	(31,587,004)	(27,440,045)
Changes in operating assets and liabilities:		
Notes receivable	230,880	(142,340)
Accounts receivable	304,747	(1,381,713)
Accounts receivable due from related parties	(1,013,030)	(720,653)
Other receivable	(260,310)	(3,960)
Other receivable due from related parties	364,463	6,907,719
Inventories	(638,783)	1,002,444
Other current assets	(1,054)	(464,999)
Total changes in operating assets	(1,013,087)	5,196,498
Accounts payable	(767,294)	573,054
Accounts payable to related parties	729,231	1,175,560
Other payable	(842,978)	(512,734)
Other payable to related parties	82,955	337
Other current liabilities	128,379	983,021
Net defined benefit liability	(382,226)	(2,368,608)
Total changes in operating liabilities	(1,051,933)	(149,370)
Total changes in operating assets and liabilities	(2,065,020)	5,047,128
Total adjustments	(33,652,024)	(22,392,917)
Cash inflow generated from operations	21,217,289	20,866,110
Interest received	411,427	299,653
Dividends received	22,771,652	17,940,059
Interest paid	(989,517)	(1,093,506)
Income taxes paid	(1,512,821)	(3,265,967)
Net cash flows from operating activities	41,898,030	34,746,349
Cash flows from (used in) investing activities:		
Acquisition of available-for-sale financial assets	-	(4,918,250)
Proceeds from disposal of available-for-sale financial assets	2,560,664	-
Acquisition of investments accounted for using equity method	(3,421,878)	(4,605,470)
Acquisition of property, plant and equipment	(2,239,369)	(1,968,340)
Proceeds from disposal of property, plant and equipment	18,773	5,661
Decrease (increase) in other receivables due from related parties	4,466,799	(9,722,987)
(Increase) decrease in other financial assets	(264,716)	274,225
Net cash flows from (used in) investing activities	1,120,273	(20,935,161)
Cash flows used in financing activities:		
Increase in short-term loans	317,537,132	200,722,155
Decrease in short-term loans	(325,322,516)	(188,536,028)
(Decrease) increase in short-term notes and bills payable	(504,057)	10,000,000
Proceeds from issuing bonds	6,988,624	-
Repayments of bonds	(10,750,000)	(14,650,000)
Proceeds from long-term debt	700,000	3,800,000
Repayments of long-term debt	(3,403,175)	(1,709,724)
Increase (decrease) in other non-current liabilities	62,667	(275,842)
Cash dividends paid	(29,224,705)	(23,360,116)
Net cash flows used in financing activities	(43,916,030)	(14,009,555)
Effect of exchange rate changes on cash and cash equivalents	(68,455)	198,935
Net (decrease) increase in cash and cash equivalents	(966,182)	568
Cash and cash equivalents at beginning of year	15,465,516	15,464,948
Cash and cash equivalents at end of year	$ 14,499,334	15,465,516

See accompanying notes to financial statements.

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

(1) Company history

Formosa Plastics Corporation (the "Company") was incorporated on November 5, 1954, and established its factories in Kaohsiung City. The Company engages in the manufacture and sale of plastic raw materials, chemical fibers, and petrochemical products. The Company has gone through several capital increases and established many divisions, and become a well-diversified enterprise.

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

The accompanying financial statements of the Company for the years ended December 31, 2017 and 2016 were approved and authorized for issue by the Board of Directors on March 22, 2018.

(3) Application of new standards, amendments and interpretations:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

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New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

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

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

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

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1) Classification- Financial assets

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

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Company had equity investments classified as available-for-sale with a fair value of 107,007,059 and financial assets measured at cost of 2,462,768 that are held for long-term strategic purposes. At initial application of IFRS 9, the Company has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Company had currency fund classified as available-for-sale with a fair value of $4,574,268 that is held for sale strategic purposes. At initial application of IFRS 9, the Company has designated these investments as measured at FVTPL. Consequently, all fair value gains and losses will be reported in profit or loss. In addition, the adjustment included the Company’s shares of the investment accounted for using equity method amounting to $242,200,219 at initial application of IFRS 9 adjusted other components of equity and retained earnings. The Company estimated the application of IFRS 9’s classification requirements on January 1, 2018 resulting in the increase of 9,174,774 and 3,177,479 in other components and retained earnings, respectively.

2) Impairment-Financial assets and contact assets

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

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

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

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

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

The Company preliminary assessment that the adoption of the IFRS 9 impairment model would not have any material impact on its consolidated financial statements.

3) Disclosures

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

4) Transition

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

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

  – The determination of the business model within which a financial asset is held.

(ii) IFRS 15 Revenue from Contracts with Customers

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

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Notes to Financial Statements

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

1) Sales of goods

For the sale of all products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Company has performed a preliminary assessment when the timing of the related risks and rewards of the goods ownership transferred is similar to the timing when control is transferred and the Group does not expect that there will be a significant impact on its consolidated financial statements.

2) Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

Based on its assessment, the Company does not expect the application of IFRS 15 to have a significant impact on its financial statements.

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

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019

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New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. ・ A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

(4) Summary of significant accounting policies:

The following significant accounting policies are adopted in the accompanying financial statements. The significant accounting policies have been applied consistently to all the reporting periods presented in these financial statements.

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Guidelines).

(b) Basis of preparation

<u>Basis of measurement</u>

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

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(i) Available-for-sale financial assets measured at fair value.

(ii) The net defined benefit liabilities are measured as the fair value of the plan assets, less the present value of the defined benefit obligation.

Functional and presentation currency

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

(c) Foreign currency

(i) Foreign currency transaction

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company' s functional currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

(i) The asset is expected to be realized, or sold or consumed, during the Company’ s normal operating cycle;

(ii) The asset is held primarily for the purpose of trading;

(iii) The asset is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

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

(i) The liability is expected to be settled during the Company’s normal operating cycle;

(ii) The liability is held primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(f) Financial instruments

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

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Notes to Financial Statements

(i) Financial assets

Financial assets are categorized into available-for-sale financial assets, loans, and receivables.

1) Available-for-sale financial assets

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

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

Dividend income from equity investments is recognized when the Company obtains the right to receive the dividend (usually the ex-dividend date) and is recognized in other income.

2) Loans and receivables

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

Interest income from receivables is recognized in other income.

3) Impairment of financial asset

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

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

All individually significant receivables are assessed for specific impairment. Objective evidence that receivables are impaired includes historical trends of collection and increasing level of overdue receivables which are collected beyond the credit term.

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

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

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

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

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

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

Impairment losses and recoveries on receivables are recognized in profit or loss.

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4) Derecognition of financial assets

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

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

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

(ii) Financial liabilities

1) Classification of debt or equity

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

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

Interest related to the financial liability is recognized in profit or loss under non-operating income and expenses.

2) Other financial liabilities

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

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3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

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

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

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

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(i) Subsidiaries

The Company accounts the investee companies that it possesses control using the equity. Net income, other comprehensive income, and shareholder' s equity in the financial reports of the Company and the net income, other comprehensive income, and shareholder's equity that belongs to the Consolidated Company in the consolidated financial reports should be the same.

The Company accounts the changes in equity, under the condition that control is still present, as equity transactions between the proprietors.

(j) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint ventures. Joint ventures should account the rights from the joint arrangement as an investment, and account it for using equity method according to IAS 28, unless, the entity is exempted from applying the equity method as specified in the standard.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost eligible for capitalization. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

1) Buildings and constructions: 3 to 55 years.

2) Machinery and equipment: 3 to 25 years.

3) Other facilities: 3 to 15 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(l) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income.

(ii) Lessee

Operating leases are not recognized in the Company's balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(m) Intangible assets

(i) Goodwill

1) Initial Recognition

When Yung Chia Chemical Industries Corp. was acquired, the excess of original investment cost over the fair value of net assets acquired was recognized as goodwill.

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(n) Impairment of non-derivative financial assets

At each balance sheet date, an assessment is made whether there is any indication that an asset (including inventories, deferred tax assets, and other non-financial assets) may have been impaired. If any such indication exists, the recoverable amount of the asset is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

For goodwill, an assessment is made whether there is any such indication exists. The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value, less costs to sell, and its value in use. When assessing the value in use, estimated future cash flows are discounted using the pre-tax discount rate. The discount rate shall reflect the estimated specific risks of the time value of money for such asset or cash generating unit under the current market. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is deemed as an impairment loss. An impairment loss is recognized immediately in profit or loss.

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer’s CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination. If the carrying value of the CGUs exceeds the recoverable amount thereof impairment loss is recognized and allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(o) Revenue recognition

(i) Sales of goods

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

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(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract cannot be estimated reliably, contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit or loss.

(iii) Rental

Revenue from sub-lease of property, plant and equipment is recognized as rental income on accrual basis.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

Remeasurement of the net defined benefit liabilities (assets), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

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

(iii) Short-term employee benefits

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

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

(q) Income taxes

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

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

(Continued)

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

(i) the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); or

(ii) the investments in subsidiaries, branches and associates, and interests in joint ventures, and it is probable that the temporary difference will not reverse in the foreseeable future; or

(iii) the initial recognition of goodwill.

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

The Company offset deferred tax assets and deferred tax liabilities only if:

(i) the Company has a legal enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intent either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously; in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset is recognized for the carryforward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the benefit of part or all of that deferred tax asset will be utilized.

(r) Earnings per share

The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding.

(s) Operating segments

The Company discloses its information on operating segments in its consolidated financial statements, so it need not disclose such information in the parent company only financial statements.

(Continued)

(5) Critical accounting judgments and key sources of estimation uncertainly:

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

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

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

(6) Significant account disclosures:

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	$ 382	329
Bank deposit	852,994	2,034,793
Cash equivalents		
Time deposits	11,705,838	13,430,394
Repurchase bonds	1,940,120	-
	$ 14,499,334	**15,465,516**

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

(b) Available-for-sale financial assets

	December 31, 2017	December 31, 2016
Listed securities:		
Listed stocks	$ 107,007,059	92,666,128
Unpublicly traded investment:		
Private fund	4,574,268	4,874,442
Total	**$ 111,581,327**	**97,540,570**

(Continued)

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

	For the years ended December 31,			
	2017		2016	
Security price on reporting date	Other comprehensive income (after tax)	Income (after tax)	Other comprehensive income (after tax)	Income (after tax)
Increase1%	$ **1,070,071**	-	**926,661**	-
Decrease1%	$ **(1,070,071)**	-	**(926,661)**	-

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

	December 31, 2017	December 31, 2016
Notes receivable	$ 95,454	326,334
Accounts receivable (including related parties)	12,093,824	11,434,690
Other receivables－current (including related parties)	18,035,323	22,599,705
Other receivables－non-current (listed under other assets)	-	414
Less : allowance for doubtful receivables	(3,810)	(5,488)
	$ **30,220,791**	**34,355,655**

Aging analysis of notes receivable, accounts receivable and other receivables:

		Past due but not impaired			
	Neither past due nor impaired	Within 30 days	31-60 days	over 61 days	total
December 31, 2017	$ 30,195,286	24,919	586	-	30,220,791
December 31, 2016	34,330,612	22,091	1,474	1,478	34,355,655

Movements of the allowance for doubtful receivables were as follows:

	Company assessment for impairment
Balance at January 1, 2017	$ 5,488
Reversal of impairment	(1,678)
Balance at December 31, 2017	$ **3,810**
Balance at January 1, 2016	$ 3,741
Provision of impairment	1,747
Balance at December 31, 2016	$ **5,488**

The terms of sales made by the Company were net 30~90 days. Based on historical default rates, the Company recognizes 0.1% allowance for impairment of uncollectible accounts receivable.

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Notes to Financial Statements

(d) Inventories

	December 31, 2017	December 31, 2016
Finished goods	$ 7,969,399	6,985,344
Work in process	1,386,672	1,823,609
Raw materials	907,270	902,715
Supplies	409,842	420,054
Machinery and accessories in process	1,277,956	1,274,866
Others	19,535	18,478
	$ 11,970,674	11,425,066

Change of net realizable value of inventories

	For the years ended December 31, 2017	2016
Gain from recovery (loss from devaluation) of inventories	$ 388,638	(333,120)

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

(e) Investments accounted for using equity method

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

	December 31, 2017	December 31, 2016
Subsidiaries		
Formosa Plastics Corp. (Cayman Ltd.)	$ 29,410,382	26,921,388
Formosa Industries Corporation	5,754,520	6,607,175
Formosa Plastics International (Cayman) Limited	15,984,457	15,441,078
Associates		
Formosa Petrochemical Corporation	97,144,019	87,970,770
Formosa Plastics Corp., U.S.A.	56,660,362	54,436,736
Formosa Heavy Industries Corp.	7,616,375	7,564,531
Sky Dragon Investment Limited	2,973,156	3,161,353
Mai Liao Power Corp.	10,845,857	10,936,483
Formosa Sumco Technology Corporation	6,297,821	5,812,301
Formosa Transportation Corp.	694,761	706,836
Formosa Fairway Corp.	100,952	101,718
Yi-Jih Development Corp.	63,027	62,761
Ya Tai Development Corp.	23,408	26,561

(Continued)

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Notes to Financial Statements

	December 31, 2017	December 31, 2016
Formosa Automobile Corporation	$ -	-
Wha Ya Park Management Consulting Corporation Ltd.	1,382	1,776
Su-Hua Transportation Corporation	275,864	249,736
Formosa Environmental Technology Corporation	226,435	255,716
Formosa Resources Corporation	5,361,771	4,159,625
Formosa Plastics Development Corporation Ltd.	87,773	91,895
Formosa Group (Cayman) Limited	348,135	549,598
Joint ventures		
Formosa Daikin Advanced Chemical Co., Ltd.	1,337,432	1,346,738
Formosa Mitsui Advanced Chemical Co., Ltd.	992,930	908,263
	$ 242,200,819	227,313,038

For the years ended December 31, 2017 and 2016, the share of net income (loss) of subsidiaries, associates and joint ventures were as follows:

	For the years ended December 31, 2017	2016
Subsidiaries		
Formosa Plastics Corp. (Cayman Ltd.)	$ 2,934,815	363,950
Formosa Industries Corporation	(361,873)	(118,385)
Formosa Plastics International (Cayman) Limited	147	(247)
Associates		
Formosa Petrochemical Corporation	22,866,965	21,552,034
Formosa Plastics Corp., U.S.A.	6,316,205	6,338,725
Formosa Heavy Industries Corp.	118,039	28,202
Sky Dragon Investment Limited	(128,536)	(1,066,179)
Mai Liao Power Corp.	213,360	1,071,140
Formosa Sumco Technology Corporation	651,743	212,249
Formosa Transportation Corp.	4,992	29,211
Formosa Fairway Corp.	(5,130)	(6,781)
Yi-Jih Development Corp.	266	235
Ya Tai Development Corp.	(3,153)	(6,454)
Formosa Automobile Corporation	38,434	15,936
Wha Ya Park Management Consulting Corporation Ltd.	108	120
Su-Hua Transportation Corporation	26,150	32,204
Formosa Environmental Technology Corporation	(29,134)	(5,102)
Formosa Resources Corporation	(135,857)	(125,158)

(Continued)

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	For the years ended December 31,	
	2017	2016
Formosa Plastics Development Corporation Ltd.	$ (4,151)	(3,783)
Formosa Group (Cayman) Limited	(163,146)	399,419
Joint ventures		
Formosa Asahi Spandex Co., Ltd.	131,428	145,045
Formosa Daikin Advanced Chemical Co., Ltd.	159,415	105,648
	$ 32,631,087	28,962,029

(i) Subsidiaries

On July 3 and 19, 2017, the Company participated in the capital increase by cash of Formosa Plastics International (Cayman) Limited by acquiring additional shares of stock amounting to US$57,161 thousand (equivalent to $1,738,438).

On April 11, 2016, the Company participated in the capital increase by cash of Formosa Plastics Corp. (Cayman Ltd.) by acquiring additional shares of stock amounting to US$900 thousand (equivalent to$29,223).

On December 27 and April 20, 2016, the Company participated in the capital increase by cash of Formosa Industries Corporation by acquiring additional shares of stock amounting to US$59,880 thousand (equivalent to$1,932,287).

On January 13, 2016, Formosa Group Investment (Cayman) Limited, originally owned by the Company, underwent liquidation. The ownership of Formosa Ha Tinh (Cayman) Limited was transferred to Formosa Plastics International (Cayman) Limited as consideration of the acquisition of newly issued common stock by Formosa Plastics International (Cayman) Limited.

(ii) Associates

1) The information of the major associate of the investments accounted for using the equity method was as follows:

Associates	Relationship	Registration Country	Percentage of ownership December 31, 2017	December 31, 2016
Formosa Petrochemical Corporation	Formosa Petrochemical Corporation, the main supplier of raw materials for the Company, has principal activities that consists of petroleum refining and integrated manufacture of hydrocarbon	Taiwan	28.56 %	28.56 %
Formosa Plastic Corp. U.S.A.	Formosa Plastic Corp., U.S.A., engages in the manufacturing and sales of oil, plastic raw materials, and petrochemical raw materials, with the Company as its main sale target.	U.S.A	22.61 %	22.61 %

(Continued)

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Notes to Financial Statements

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

	December 31, 2017	December 31, 2016
Formosa Petrochemical Corporation	**$ 314,223,411**	**304,701,489**

The following is the aggregated financial information of the major associate, and necessary changes have already been made to the information therein concerning the associates' consolidated financial statements based on the IFRS as endorsed by FSC to reflect the fair value adjustments made at the time of acquisition and adjustment for accounting policy variations.

The financial information of Formosa Petrochemical Corporation was as follows:

	December 31, 2017	December 31, 2016
Current assets	$ 266,200,257	279,016,496
Non-current assets	165,340,469	173,347,153
Current liabilities	(65,117,512)	(67,918,394)
Non-current liabilities	(22,276,730)	(75,346,015)
Net asset	**$ 344,146,484**	**309,099,240**
Net asset contributed to non-controlling interest of Formosa Petrochemical Corporation	**$ 2,859,884**	**34,457**
Net asset contributed to Formosa Petrochemical Corporation	**$ 341,286,600**	**309,064,783**

	For the years ended December 31,	
	2017	2016
Revenue	**$ 624,107,892**	**546,161,413**
Net income	$ 80,175,421	75,768,469
Other comprehensive income	9,186,884	4,766,685
Total comprehensive income	**$ 89,362,305**	**80,535,154**
Income allocated to non-controlling interest of Formosa Petrochemical Corporation	**$ (12,068)**	**4,211**
Income allocated to Formosa Petrochemical Corporation	**$ 89,374,373**	**80,530,943**

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	For the years ended December 31,	
	2017	**2016**
Beginning balance of investments in major associate at January 1,	$ 87,970,770	75,919,673
Total comprehensive income allocated to the Company	25,495,629	22,947,957
Dividend Received	(16,323,294)	(10,882,196)
Ending balance of investments in major associate at December 31,	97,143,105	87,985,434
Difference in capital surplus from changes in holding proportion due to non-acquisition of newly-issued shares	914	(14,664)
Total carrying amount of equity of the major associate	**$ 97,144,019**	**87,970,770**

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

	December 31, 2017	**December 31, 2016**
Current assets	$ 123,602,500	134,116,437
Non-current assets	172,307,285	161,979,508
Current liabilities	(14,514,493)	(12,430,352)
Non-current liabilities	(24,570,230)	(35,842,021)
Net asset	**$ 256,825,062**	**247,823,572**
Net asset contributed to non-controlling interest of Formosa Plastics Corp., U.S.A.	**$ 6,743,441**	**7,148,023**
Net asset contributed to Formosa Plastics Corp., U.S.A.	**$ 250,081,621**	**240,675,549**

	For the years ended December 31,	
	2017	**2016**
Revenue	**$ 134,789,930**	**132,501,825**
Net income	$ 27,772,678	28,139,846
Other comprehensive income	123,638	113,086
Total comprehensive income	**$ 27,896,316**	**28,252,932**
Income allocated to non-controlling interest of Formosa Plastics Corp., U.S.A.	**$ (164,252)**	**103,299**
Income allocated to Formosa Plastics Corp., U.S.A.	**$ 28,060,568**	**28,149,633**

	For the years ended December 31,	
	2017	**2016**
Beginning balance of investments in major associate at January 1,	$ 54,436,736	49,094,371
Total comprehensive income allocated to the Company	2,223,626	5,342,365
Total carrying amount of equity of the major associate	**$ 56,660,362**	**54,436,736**

(Continued)

FORMOSA PLASTICS CORPORATION
Notes to Financial Statements

2) The information of the major associate of the investments accounted for using the equity method was as follows:

	December 31, 2017	December 31, 2016
Total carrying amount of equity of the minor associates	$ 34,916,717	33,680,890

	For the years ended December 31, 2017	2016
Attributable to the Company:		
Net income	$ 583,985	575,259
Other comprehensive income	(361,516)	(1,426,964)
Total comprehensive income	$ 222,469	(851,705)

3) The Company, which invested in "Formosa Automobile Corporation" (an investee accounted for using the equity method) recognized the gains of $38,434 and $15,936 from this investment for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Company's cumulative losses from this investment had already exceeded the book value of the investment by $29,472 and $66,648, respectively. As the Company intends to support this investee company which were reclassified to other liabilities.

4) On April 7, 2017, the Company participated in the capital increase by cash, at 25% ownership interest (originally of Formosa Resources Corporation), with the total investment amounting to US$55,000 thousand (equivalent to $1,683,440).

5) On January 13, 2016, Formosa Group Investment (Cayman) Limited, originally owned by the Company, underwent liquidation. The ownership of Formosa Ha Tinh (Cayman) Limited was transferred to Formosa Plastics International (Cayman) Limited as consideration of the acquisition of newly issued common stock by Formosa Plastics International (Cayman) Limited. On January 29, 2016, the cash capital increased brought in external stockholders to Formosa Ha Tinh (Cayman) Limited, decreasing the ownership of the Company to 11.43% and resulting in a lack of significant influence; therefore, the securities were reclassified to financial assets carried at cost －non-current as of December 31, 2016.

6) On December 19, 2016, the Company participated in the capital increase by cash of Sky Dragon Investment Limited, the total investment amounting to US$80,000 thousand (equivalent to $2,558,960).

7) On April 26, 2016, the Company participated in the capital increase by cash of Formosa Plastics Development Corporation Ltd., the total investment amounted to $85,000.

(Continued)

FORMOSA PLASTICS CORPORATION

Notes to Financial Statements

(iii) Joint ventures

The Company's investments in joint ventures are not significant. The financial information of the minor joint ventures of the investments accounted for using equity method was as follows:

	December 31, 2017	December 31, 2016
Total carrying amount of investments in the minor joint ventures	$ 2,330,362	2,255,001

	For the years ended December 31, 2017	2016
Attributable to the Company:		
Net income	$ 290,843	250,693
Other comprehensive loss	(6,767)	(2,578)
Total comprehensive income	$ 284,076	248,115

(iv) Collaterals

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

(f) Property, plant and equipment

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

	Land	Buildings and constructions	Machinery and equipment	Other facilities	Construction in progress	Total
Cast:						
Balance as of January 1, 2017	$ 6,775,780	21,342,665	129,823,866	4,546,938	2,891,452	165,380,701
Additions	-	720	178,722	180,678	1,890,777	2,250,897
Disposals	(362)	(78,061)	(761,192)	(130,170)	-	(969,785)
Reclassification	-	19,943	2,135,260	119,357	(2,173,156)	101,404
Balance as of December 31, 2017	$ 6,775,418	21,285,267	131,376,656	4,716,803	2,609,073	166,763,217
Balance as of January 1, 2016	$ 6,684,296	21,238,290	128,011,212	4,664,004	4,176,319	164,774,121
Additions	91,498	-	125,488	96,221	1,677,088	1,990,295
Disposals	(14)	(1,132)	(1,157,817)	(292,751)	-	(1,451,714)
Reclassification	-	105,507	2,844,983	79,464	(2,961,955)	67,999
Balance as of December 31, 2016	$ 6,775,780	21,342,665	129,823,866	4,546,938	2,891,452	165,380,701
Accumulated depreciation/impairment:						
Balance as of January 1, 2017	$ -	12,413,470	110,334,357	3,702,865	-	126,450,692
Depreciation for the year	-	718,981	4,303,963	215,882	-	5,238,826
Impairment loss	-	951,658	1,385,989	10,220	-	2,347,867
Disposals	-	(78,061)	(755,006)	(128,870)	-	(961,937)
Reclassification	-	-	39,219	(30,990)	-	8,229
Balance as of December 31, 2017	$ -	14,006,048	115,308,522	3,769,107	-	133,083,677

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	Land	Buildings and constructions	Machinery and equipment	Other facilities	Construction in progress	Total
Balance as of January 1, 2016	$ -	11,693,982	106,756,130	3,775,999	-	122,226,111
Depreciation for the year	-	720,620	4,732,446	219,713	-	5,672,779
Disposals	-	(1,132)	(1,155,888)	(292,328)	-	(1,449,348)
Reclassification	-	-	1,669	(519)	-	1,150
Balance as of December 31 , 2016	**$ -**	**12,413,470**	**110,334,357**	**3,702,865**	**-**	**126,450,692**
Carrying amounts:：						
Balance as of December 31 , 2017	**$ 6,775,418**	**7,279,219**	**16,068,134**	**947,696**	**2,609,073**	**33,679,540**
Balance as of December 31 , 2016	**$ 6,775,780**	**8,929,195**	**19,489,509**	**844,073**	**2,891,452**	**38,930,009**

(i) Impairment loss

The impairment loss amounting to $2,347,867 was recognized for the year ended December 31, 2017 due to the equipment that had been identified to be no longer useful for future operation.

(ii) Collaterals

The property, plant and equipment pledged to secure bank loans as of December 31, 2017 and 2016, are described in Note 8.

(iii) As of December 31, 2017 and 2016, the Company’ s parcels of land with title temporarily registered under the names of third parties for trust purpose had carrying value of $33,529 and $33,946, which were recorded under property, plant and equipment. The Company has implemented a deed of trust with the authorities to secure the Company’s rights related to the abovementioned properties.

(iv) Please refer to Note 6(q) for further information about the capitalized interest on borrowings for the purchase of the property, plant and equipment and gain on disposal of property, plant and equipment.

(g) Short-term borrowings

Short-term borrowings consisted of the following:

	December 31, 2017	December 31, 2016
Unsecured short-term borrowings	$ 8,110,987	13,421,200
Secured short term borrowings	-	2,500,000
Employees’ savings	236,350	220,083
Total	**$ 8,347,337**	**16,141,283**
Interest rate	**0.75%~2.266%**	**0.730%~1.230%**

The assets pledged to secure loans are described in Note 8.

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(h) Short-term notes and bills payable

	December 31, 2017		
	Institutions	**Interest rate**	**Amount**
Short-term notes and bills payable	China Bills Finance Corporation	0.600%	$ 1,000,000
Short-term notes and bills payable	Grand Bills Finance Corporation	0.400%	2,300,000
Short-term notes and bills payable	International Bills Finance Corporation	0.590%~0.867%	1,000,000
Short-term notes and bills payable	Cathay United Bank Company Limited	0.419%	2,200,000
Short-term notes and bills payable	Mega Bills Finance Co., Ltd.	0.410%~0.857%	1,500,000
Short-term notes and bills payable	CTBC Bank Co., Ltd	0.40%	1,500,000
			9,500,000
Less: Discount on short-term notes and bills payable			(4,491)
Total			**$ 9,495,509**

	December 31, 2016		
	Institutions	**Interest rate**	**Amount**
Short-term notes and bills payable	China Bills Finance Corporation	0.40%	$ 1,000,000
Short-term notes and bills payable	Dah Chung Finance Corporation	0.39%	1,000,000
Short-term notes and bills payable	Mega Bills Finance Co., Ltd.	0.40%	3,500,000
Short-term notes and bills payable	CTBC Bank Co., Ltd	0.39%	3,500,000
Short-term notes and bills payable	Taipei Fubon Commercial Bank Co., Ltd.	0.40%	1,000,000
			10,000,000
Less: Discount on short-term notes and bills payable			(434)
Total			**$ 9,999,566**

(i) Long-term debts

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

	December 31, 2017			
	Currency	**Interest rate**	**Expiration**	**Amount**
Unsecured long-term debts	TWD	0.800%~1.218%	2018~2019	$ 1,900,000
Secured long-term debts	TWD	1.632%	2021	7,997,365
				9,897,365
Less: Current portion				(4,084,327)
Total				**$ 5,813,038**

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	December 31, 2016			
	Currency	**Interest rate**	**Expiration**	**Amount**
Unsecured long-term debts	TWD	0.820%~1.215%	2017~2018	$ 2,314,286
Secured long-term debts	TWD	1.632%	2021~2021	10,281,693
				12,595,979
Less: Current portion				(2,403,175)
Total				**$ 10,192,804**

(ii) Secured bank loans

In order to raise funds to build the plant and accessory equipment, the Company signed a syndicated loan agreement with Bank of Taiwan, the lead bank of the syndicated loan, and 19 other banks on November 14, 2013. As of December 31, 2017, the details of the loan agreement are as follows:

1) Credit line: $10,300,000.

2) Interest rate: as settled with each participating bank.

3) Period: 7 years (including a 3 years extension).

4) Collateral: the land at Sixth Naphtha Cracker pledged for 120 percent of the credit line financed by the loan.

5) The financial covenants under the loan agreement include the requirement to maintain certain financial ratios based on the audited consolidated financial reports. If the Company breaches these financial covenants, the syndicated banks may determine to declare the unpaid principal, interest, fees and other sums payable by the Company under the loan agreement to be immediately due and payable. These financial ratios are as follows:

   a) Current Ratio (total current assets divided by total current liabilities): not lower than 100%.

   b) Leverage Ratio (total liabilities plus contingent liabilities to tangible net worth): not higher than 150%.

6) The Company did not breach the above mentioned financial covenants in respect of its financial statements as of December 31, 2017 and 2016.

7) As of December 31, 2017, the credit line of $10,300,000 had been used, and the loan of $2,288,889 had been repaid.

(iii) The assets pledged to secure long-term loans are described in Note 8.

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(j) Bonds payable

(i)

	December 31, 2017	December 31, 2016
Domestic unsecured nonconvertible corporate bonds	$ 33,558,238	37,308,223
Less: current portion	(5,696,600)	(10,742,038)
Total	$ 27,861,638	26,566,185
Expiry	2018~2026	2017~2026

	The first domestic unsecured nonconvertible corporate bond in 2011	The second domestic unsecured nonconvertible corporate bond in 2011	The third domestic unsecured nonconvertible corporate bond in 2012
Issue amount	7,000,000	5,000,000	9,000,000
2017.12.31 Ending balance	1,998,686	2,898,698	6,795,553
2017.12.31 Current portion	999,073	1,449,256	2,149,349
2016.12.31 Ending balance	4,497,373	3,947,395	7,893,655
2016.12.31 Current portion	2,498,686	1,048,697	1,098,102
Issuance date	May 22, 2012	September 12, 2012	November 5, 2012
Coupon rate	1.26%、1.42%	1.28%、1.40%	1.25%、1.39%、1.53%
Interest payment date	May 22	September 12	November 5
Repayment method	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2018~2019, respectively.	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2018~2019, respectively.	Payable in 3 equal installments for each different coupon rate in 2016~2017, 2018~2019 and 2021~2022, respectively.

	The first domestic unsecured nonconvertible corporate bond in 2013	The second domestic unsecured nonconvertible corporate bond in 2013	The first domestic unsecured nonconvertible corporate bond in 2014	The first domestic unsecured nonconvertible corporate bond in 2017
Issue amount	$ 11,500,000	8,500,000	6,000,000	7,000,000
2017.12.31 Ending balance	1,491,668	7,391,967	5,991,883	6,989,783
2017.12.31 Current portion	-	1,098,922	-	-
2016.12.31 Ending balance	6,489,396	8,489,616	5,990,788	-
2016.12.31 Current portion	4,997,728	1,098,825	-	-
Issuance date	June 10, 2013	November 8, 2013	May 21, 2014	May 19, 2017
Coupon rate	1.23%、1.52%	1.42%、1.94%	1.83%、1.92%	1.09%、1.32%
Interest payment date	June 10	November 8	May 21	May 19
Repayment method	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2022~2023, respectively.	Payable in 2 equal installments for each different coupon rate in 2017~2018 and 2022~2023, respectively.	Payable in 2 equal installments for each different coupon rate in 2023~2024 and 2025~2026, respectively.	Payable in 2 equal installments for each different coupon rate in 2021~2022 and 2023~2024, respectively.

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(k) Employee benefits

(i) Defined benefit plan

The movements in the present value of the defined benefit obligations and fair value of plan assets were as follows:

		December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$	9,788,989	9,607,708
Fair value of plan assets		(2,526,446)	(2,540,589)
Net defined benefit liabilities	$	**7,262,543**	**7,067,119**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of the plan asset

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $2,490,956 as of December 31, 2017. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

		For the years ended December 31, 2017	2016
Defined benefit obligations on January 1,	$	9,607,708	9,497,499
Benefits paid		(519,349)	(548,743)
Current service and interest costs		219,593	247,797
Remeasurement of net defined benefit liabilities			
－actuarial losses arising from change in financial assumptions		580,977	556,507
Decrease due to transfer of related party employees		(99,940)	(145,352)
Defined benefit obligations on December 31,	$	**9,788,989**	**9,607,708**

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3) Movements in fair value of defined benefit plan assets

	For the years ended December 31, 2017	2016
Fair value of plan assets on January 1,	$ 2,540,589	621,266
Interest income	30,317	9,275
Remeasurement of net defined obligation assets		
－return on plan assets (excluding interest income)	3,328	(2,988)
Benefits already paid by the plan	(166,189)	-
Contributions from employer	118,401	1,913,036
Fair value of plan assets on December 31,	**$ 2,526,446**	**2,540,589**

4) Expense recognized in profit or loss

The pension costs recognized in profit or loss for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31, 2017	2016
Current service costs	$ 101,712	105,830
Interest costs	87,564	132,692
	$ 189,276	**238,522**
Operating costs	$ 112,486	149,743
Selling expenses	6,797	8,132
Administrative expenses	69,993	80,647
	$ 189,276	**238,522**

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

	For the years ended December 31, 2017	2016
Balance of January 1,	$ 1,258,762	794,381
Recognized in current period	479,449	464,381
Balance of December 31,	**$ 1,738,211**	**1,258,762**

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6) Actuarial assumptions

The following are the principal actuarial assumptions as of December 31, 2017 and 2016:

	For the years ended December 31,	
	2017	**2016**
Discount rate	1.25 %	1.25 %
Rate of future salary increases	2.85 %	2.50 %

Based on the actuarial report, the Company is expected to make contributions of $128,075 to the defined benefit plans for the one year period after the reporting date.

The weighted average duration of the defined benefit plan is 11 years.

7) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Company should use judgments and estimates in determining the related actuarial assumptions at balance sheet date, including discount rate, expected return on plan assets and future salary increases. Any changes in actuarial assumptions may significantly impact the present value of the defined benefit obligation.

As of December 31, 2017 and 2016, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect of defined benefit obligations	
	Increase Amount	**Decrease Amount**
December 31, 2017		
Discount rate (change 0.25%)	$ (217,664)	227,501
Future salary increases (change 1.00%)	968,975	(830,255)
December 31, 2016		
Discount rate (change0.25%)	(215,937)	226,071
Future salary increases (change1.00%)	968,923	(824,447)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The sensitivity analysis adopts the same methods for determining the defined benefit assets at balance sheet date.

The same methods and assumptions are adopted in the two-year sensitivity analysis.

(ii) Defined contribution plan

The Company contributes an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act, under which, the Company is not required to bear the regulated or putative obligation subsequent to the payment of fixed-rate contribution.

(Continued)

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The Company' s pension costs under the defined contribution pension plan amounted to $224,454 and $218,926 for the years ended December 31, 2017 and 2016, respectively.

(l) Income tax

(i) The details of income tax expense for the years ended December 31, 2017 and 2016 were as follows:

	For the years ended December 31, 2017	2016
Current income tax expense	$ 3,511,829	1,566,070
Deferred tax expense		
The origination of temporary differences	1,974,631	2,300,414
Income tax expense	**$ 5,486,460**	**3,866,484**

The income tax expense related to components of other comprehensive income for the years ended December 31, 2017 and 2016 was as follows:

	For the years ended December 31, 2017	2016
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	**$ 98,200**	**95,114**
Items that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	**$ 1,236,221**	**341,738**

The income tax calculated at a statutory income tax rate on accounting income before income tax was reconciled with income tax expense recognized in profit or loss as follows:

	For the years ended December 31, 2017	2016
Income tax calculated based on pretax financial income	$ 9,327,783	7,354,035
Effect of difference in income tax rate between foreign investee and the Company	798,950	749,946
Tax- exempt income	(1,315,759)	(837,158)
Tax effect on investment income recognized under equity method and Non-deductible expenses	(3,954,319)	(3,773,674)
Under (over) provision in prior periods	49,842	(24,995)
10% income surtax on undistributed earnings	579,963	398,330
Income tax expense	**$ 5,486,460**	**3,866,484**

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(ii) Recognized deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

For the year ended December 31, 2017	Beginning balance	Recognized in income or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Unrealized gross loss	$ 966	(966)	-	-
Unamortized fixed manufacturing expense	32,024	(7,803)	-	24,221
Accrued pension liability	1,268,135	(64,978)	98,200	1,301,357
Cumulative translation adjustment	-	-	272,099	272,099
Unrealized impairment loss on non-financial assets	-	399,068	-	399,068
Unrealized foreign currency exchange loss	-	19,680	-	19,680
Total	$ 1,301,125	345,001	370,299	2,016,425
Deferred tax liabilities				
Foreign investment income under equity method	$ 12,054,017	2,343,888	-	14,397,905
Unrealized foreign currency exchange gain	50,018	(50,018)	-	-
Cumulative translation adjustment	964,122	-	(964,122)	-
Depreciation	40,944	24,485	-	65,429
Unrealized gross profit	-	1,277	-	1,277
Total	$ 13,109,101	2,319,632	(964,122)	14,464,611

For the year ended December 31, 2016	Beginning balance	Recognized in income or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Unamortized fixed manufacturing expense	34,382	(2,358)	-	32,024
Accrued pension liability	1,575,684	(402,663)	95,114	1,268,135
Unrealized gross loss	-	966	-	966
Total	$ 1,610,066	(404,055)	95,114	1,301,125
Deferred tax liabilities				
Foreign investment income under equity method	$ 10,096,714	1,957,303	-	12,054,017
Unrealized foreign currency exchange gain	108,371	(58,353)	-	50,018
Cumulative translation adjustment	1,305,860	-	(341,738)	964,122
Depreciation	41,241	(297)	-	40,944
Unrealized gross profit	2,294	(2,294)	-	-
Total	$ 11,554,480	1,896,359	(341,738)	13,109,101

(iii) The Company's income tax returns have been examined and approved through 2015 by the ROC tax authorities.

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(iv) Information related to the integrated income tax was as follows:

	December 31, 2017 (Note)	December 31, 2016
Undistributed earnings in 1997 and prior years	$ 432,111	432,111
Undistributed earnings in 1998 and thereafter	78,266,971	67,270,928
	$ 78,699,082	**67,703,039**
Imputation credit account	**$ 4,730,754**	**4,590,676**

	2017	2016 (actual)
Tax deduction ratio for earnings distribution to ROC residents	Note	12.59 %

Under the integrated income tax system, the above imputation credit account and creditable ratio were calculated according to the formal interpretation No. 10204562810 issued by Taxation Administration, Ministry of Finance, R.O.C. on October 17, 2013.

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

(m) Capital and other equity

As of December 31, 2017 and 2016, the Company's government registered total authorized capital and issued capital stock both amounted to $63,657,408, divided into 6,365,741 thousand shares of stock with $10 par value per share. All issued shares were paid up upon issuance.

(i) Capital surplus

The components of capital surplus were as follows:

	December 31, 2017	December 31, 2016
Paid-in capital in excess of par value	$ 8,130,081	8,130,081
Treasury stock transactions	16,263	16,263
Equity in capital surplus of investee companies	203,000	202,083
Overdue unpaid directors' remuneration and dividends	303,082	83,040
Paid in capital in excess of the par value derived from overseas corporate bond conversion	2,997,503	2,997,503
	$ 11,649,929	**11,428,970**

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According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

According to the rules of the Company's articles and Company Act, the Company's annual net profit, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remainder plus the undistributed earnings of the previous years are distributed or left undistributed for business purposes according to the resolution of the stockholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the Annual Stockholders' Meeting.

The Company also adopts a dividend distribution policy, under which, net earnings after deducting the legal reserve and special reserve may first be distributed by way of cash dividends which shall be equal to at least fifty percent (50%) of the Company's total dividend distribution every year. The capitalization of earnings and capital surplus shall not exceed fifty percent of the total dividends.

1) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gains) of $2,790,507, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No. 1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of special reserve amounted to $2,790,507 both as of December 31, 2017 and 2016.

Pursuant to the Regulatory Permit mentioned above, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of above-mentioned special reserve and net debit balance of the other components of stockholders' equity.

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2) Earnings distribution

The appropriations of earnings in 2016 and 2015 had been approved in the stockholders' meetings on June 13, 2017, and June 17, 2016, respectively. The amounts of appropriation of dividend per share were as follows:

	2016		2015	
	Dividends per share	**Amount**	**Dividends per share**	**Amount**
Dividends attributable to ordinary shareholders:				
Cash dividends	$ 4.60	**29,282,408**	3.60	**22,916,667**

3) Other equity

	Exchange differences on translation of foreign statements	Unrealized gains on available-for-sale financial assets	Cash flow hedge
Balance at January 1, 2017	$ 2,794,229	72,488,184	51,057
Exchange differences on translation of foreign operations, net of tax			
-the Company	(5,127,492)	-	-
-associates	(891,766)	-	-
Unrealized gains or on available-for-sale financial assets：			
-the Company	-	14,838,705	-
-associates	-	3,441,600	(41,506)
Balance at December 31, 2017	**$ (3,225,029)**	**90,768,489**	**9,551**

	Exchange differences on translation of foreign statements	Unrealized gains on available-for-sale financial assets	Cash flow hedge
Balance at January 1, 2016	$ 7,182,538	57,419,371	82,276
Exchange differences on translation of foreign operations, net of tax			
-the Company	(3,983,715)	-	-
-associates	(404,594)	-	-
Unrealized gains on available-for-sale financial assets：			
-the Company	-	13,334,020	-
-associates	-	1,734,793	(31,219)
Balance at December 31, 2016	**$ 2,794,229**	**72,488,184**	**51,057**

(Continued)

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(n) Earnings per share

The basic earnings per share were calculated as follows:

	For the years ended December 31, 2017	2016
Profit attributable to ordinary shareholders	$ 49,382,853	39,392,543
Weighted average number of outstanding ordinary shares	6,365,741	6,365,741
	$ 7.76	6.19

(o) Revenue

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

	For the years ended December 31, 2017	2016
Sale of goods	$ 168,289,026	147,717,744
Constructive revenue	611,954	637,302
Others	1,372,953	1,437,425
	$ 170,273,933	149,792,471

(p) Employee bonus

According to the Company's articles, 0.05%~0.5% of the Company's profit, excluding employee compensations, and after being appropriated to offset accumulated deficits, if any, should be distributed as employee compensations.

For the years ended December 31, 2017 and 2016, the appropriated employee compensations amounted to $69,454 and $59,169, respectively. These amounts were calculated based on the Company's articles of incorporation and the net profit before tax after deducting employee compensations, and was recognized under operating costs and operating expenses. The employee compensations were consistent with the actual distributions. Related information can be accessed from the Market Observation Post System website.

(q) Non-operating income and expenses

(i) Other income

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

	For the years ended December 31, 2017	2016
Interest income	$ 424,718	304,296
Rental income	151,180	151,817
Dividends income	5,606,734	4,771,936
	$ 6,182,632	5,228,049

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(ii) Other gains and losses

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

	For the years ended December 31, 2017	2016
Gain on disposal of property, plant and equipment	$ 10,925	3,295
Gain on disposal of investments	1,762,716	-
Foreign exchange losses, net	(1,889,724)	(626,693)
Impairment loss on non-financial assets	(2,347,867)	-
Other gains	462,612	360,622
Other losses	(269,549)	(151,535)
	$ (2,270,887)	**(414,311)**

(iii) Finance costs

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

	For the years ended December 31, 2017	2016
Interest expense	$ 975,231	1,034,644
Less: capitalized interest	(11,187)	(21,945)
	$ 964,044	**1,012,699**
Capitalized interest rate	**1.49%~1.52%**	**1.30%~1.62%**

(r) Reclassification adjustments of components of other comprehensive income

	For the years ended December 31, 2017	2016
Available-for-sale financial assets		
Net change in fair value	$ 16,601,421	13,334,020
Net change in fair value reclassified to loss	(1,762,716)	-
Net change in fair value recognized in other comprehensive income	**$ 14,838,705**	**13,334,020**

(s) Financial instruments

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily accounts receivable and notes receivable.

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In order to minimize credit risk, management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

As of December 31, 2017 and 2016, the Company's ten largest customers accounted for 59% and 38% of accounts receivable, respectively. The Company did transactions with a large number of unrelated customers so that management believes no concentration of credit risk.

(ii) Liquidity risk

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments but excluding the impact of netting agreements:

	Carrying amount	Contractual cash flow	Within 6 months	6~12months	1~2years	2~5years	Over 5 years
December 31, 2017							
Non-derivative financial liabilities							
Unsecured bank loans	$ 10,010,987	10,098,138	3,685,593	6,308,900	-	103,645	-
Bonds payable	33,558,238	36,080,430	1,007,100	4,765,805	4,728,770	10,378,555	15,200,200
Secured bank loans	7,997,365	8,300,609	1,153,783	1,163,121	2,363,598	3,620,107	-
Short-term notes and bills payable	9,495,509	9,500,000	9,500,000	-	-	-	-
Accounts payables (including related parties)	11,396,259	11,396,259	11,396,259	-	-	-	-
Other payables (including related parties)	4,495,555	4,495,555	4,495,555	-	-	-	-
Other current liabilities	7,254,909	7,254,909	7,254,909	-	-	-	-
Employees' savings	236,350	237,768	237,768	-	-	-	-
	$ 84,445,172	87,363,668	38,730,967	12,237,826	7,092,368	14,102,307	15,200,200
December 31, 2016							
Non-derivative financial liabilities							
Unsecured bank loans	$ 15,735,486	15,859,446	13,550,385	57,704	2,147,712	103,645	-
Bonds payable	37,308,223	39,648,685	7,547,250	3,296,150	5,861,880	6,141,585	16,801,820
Secured bank loans	12,781,693	13,277,995	3,674,183	1,163,122	2,363,598	6,077,092	-
Short-term notes and bills payable	9,999,566	10,000,000	10,000,000	-	-	-	-
Accounts payable (including related parties)	11,433,981	11,433,981	11,433,981	-	-	-	-
Other payables (including related parties)	3,244,215	3,244,215	3,244,215	-	-	-	-
Other current liabilities	7,047,432	7,047,432	7,047,432	-	-	-	-
Employees' savings	220,083	221,437	221,437	-	-	-	-
	$ 97,770,679	100,733,191	56,718,883	4,516,976	10,373,190	12,322,322	16,801,820

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(Continued)

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(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2017			December 31, 2016		
	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars
Financial assets:						
Monetary items						
USD	$ 792,957	29.8480	23,668,181	762,754	32.2790	24,620,936
EUR	1,093	35.6081	38,920	381	33.8460	12,895
JPY	60,873	0.2641	16,077	39,880	0.2768	11,039
CNY	1,512	4.5680	6,907	3,418	4.6532	15,905
Financial liabilities						
Monetary items						
USD	42,995	29.8480	1,283,315	42,353	32.2790	1,367,112
EUR	471	35.6081	16,771	249	33.8460	8,428
JPY	381,979	0.2641	100,881	49,173	0.2768	13,611

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables which are denominated in different foreign currencies. A 1% depreciation of the NTD against the USD, EUR, JPY and CNY as of December 31, 2017 and 2016 would have decreased the net income before tax by $223,291 and $232,716 for the years ended December 31, 2017 and 2016, respectively. This analysis is performed on the same basis assuming that all other variables remain constant and ignoring any impact of forecasted sales and purchases.

(iv) Interest rate analysis

The Company's exposure to interest rate risk arising from financial assets and liabilities is described in Note 6(s).

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income before tax by $102,473 and $159,736 for the years ended December 31, 2017 and 2016, respectively.

(Continued)

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(v) Fair value

1) Types and fair value of financial instruments

The Company's financial assets and liabilities are listed as follows: (including (1) the information on the levels in fair value hierarchy, wherein, disclosures are not required for financial instruments not measured at fair value with a carrying value approximating its fair value; and (2) those equity investments in which the fair value cannot be reliably measured and without any quoted price in the open market)

	December 31, 2017				
		Fair value			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets					
Listed stocks	$ 107,007,059	107,007,059	-	-	107,007,059
Private fund	4,574,268	-	4,574,268	-	4,574,268
Subtotal	111,581,327	107,007,059	4,574,268	-	111,581,327
Loans and receivables					
Cash and cash equivalents	14,499,334	-	-	-	-
Notes and accounts receivable (including related parties)	12,185,468	-	-	-	-
Other receivable (including related parties)	18,035,323	-	-	-	-
Subtotal	44,720,125	-	-	-	-
Total	**$ 156,301,452**	**107,007,059**	**4,574,268**	**-**	**111,581,327**
Financial liabilities measured at amortized cost					
Bonds payable	$ 33,558,238	-	-	-	-
Short-term loans	8,347,337	-	-	-	-
Long-term loans (including current portion)	9,897,365	-	-	-	-
Short-term notes and bills payable	9,495,509	-	-	-	-
Accounts payable (including related parties)	11,396,259	-	-	-	-
Other payables (including related parties)	4,495,555	-	-	-	-
Other current liabilities	7,254,909	-	-	-	-
Total	**$ 84,445,172**	**-**	**-**	**-**	**-**

(Continued)

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	December 31, 2016				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Listed stocks	$ 92,666,128	92,666,128	-	-	92,666,128
Private fund	4,874,442	-	4,874,442	-	4,874,442
Subtotal	97,540,570	92,666,128	4,874,442	-	97,540,570
Loans and receivables					
Cash and cash equivalents	15,465,516	-	-	-	-
Notes and accounts receivable (including related parties)	11,755,536	-	-	-	-
Other receivables (including related parties)	22,600,119	-	-	-	-
Subtotal	49,821,171	-	-	-	-
Total	**$ 147,361,741**	**92,666,128**	**4,874,442**	**-**	**97,540,570**
Financial liabilities measured at amortized cost					
Bonds payable	$ 37,308,223	-	-	-	-
Short-term loans	16,141,283	-	-	-	-
Long-term loans (including current portion)	12,595,979	-	-	-	-
Short-term notes and bills payable	9,999,566	-	-	-	-
Accounts payable (including related parties)	11,433,981	-	-	-	-
Other payables (including related parties)	3,244,215	-	-	-	-
Other current liabilities	7,047,432	-	-	-	-
Total	**$ 97,770,679**	**-**	**-**	**-**	**-**

2) Fair value measurement of financial instruments unrecognized at fair value

The company estimates non-methodological tools to measure at fair value and assumptions used are as follows:

Financial liabilities measured at amortized cost.

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

The fair value of the financial instruments traded in active markets is based on quoted market prices. The fair value of listed equity instruments is based on the market prices that were published at main stock exchanges.

(Continued)

If the financial instruments possessed by the Company have quoted market prices in active markets, the fair value was as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks).

4) There was no transfer between the fair value hierarchy levels for the year ended December 31, 2017 and 2016.

(t) Financial risk management

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to credit risk, liquidity risk and market risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

(i) Framework of risk management

The plans for material treasury activities are reviewed by Audit Committees and/or Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables, and from financing activities, primarily deposits, fixed-income investments and other financial instruments with banks.

1) Accounts receivable and other receivables

To maintain the credit quality of receivables, a credit risk management policy has been established. Under this policy, each customer is analyzed individually regarding customer’ s financial situation, external and internal credit rating, historical trading record, and current economic condition which may affect customer’s payment ability. In addition, some methods are adopted to reduce the credit risk for specific customers, such as prepayment and insurance of accounts receivable.

2) Investments

The Company mainly invests in Petrochemical Industry, which belongs to mature industry with lower risk. In addition, the Company’ s prudent management creates financial health without high-leveraged investment.

3) Guarantee

The Company' s endorsement policy is limited to endorsement of subsidiaries or associates with business relationship. The endorsed items are usually related to financing and import duty guarantee. Due to associates' financial health created by prudent management, management of the Company believes that they are expecting no significant losses from endorsement.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient current funds, such as cash and cash equivalent, securities with high liquidity and sufficient credit line from banks, to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

(iii) Market risk

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

1) Foreign currency risk

To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group utilizes derivative financial instruments, including currency forward contracts and cross currency swaps, to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

2) Interest rate risk

The Company is exposed to interest rate risk arising from long-term borrowings at floating interest rates. To reduce the risk caused by floating interest rates, the Company utilized interest rate swap contracts to partially hedge its exposure.

(u) Capital management

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

The Company's policy is to maintain adequate financial resources and operating plan to meet future operating capital, capital expenditure, research and development expenditure, loans reimbursement, and dividend distribution.

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The Company uses debt to capital ratio to manage its capital. The debt to capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities derived from deducting cash and cash equivalents from total liabilities. Total capital includes common shares of stocks, capital surplus, retained earnings and net liabilities. The Company's debt to capital ratio at the end of the reporting period was as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 110,461,414	122,478,574
Less: cash and cash equivalents	(14,499,334)	(15,465,516)
Net liabilities	95,962,080	107,013,058
Total equity	345,010,166	313,070,487
Adjusted equity	**$ 440,972,246**	**420,083,545**
Debt to capital ratio	**21.76 %**	**25.47 %**

(7) Related-party transactions:

(a) Name of related parties

Name of related party	Relationship with Consolidated Company
Formosa Plastics Corp. (Cayman Ltd.)	Subsidiary
Formosa Industries Corporation	Subsidiary
Formosa Plastics International (Cayman) Limited	Subsidiary
Formosa Industries (Hong Kong) Limited	Subsidiary
Formosa Industries (Ningbo) Co., Ltd.	Subsidiary (Note)
Formosa Acrylic Esters (Ningbo) Co., Ltd.	Subsidiary (Note)
Formosa Electronic (Ningbo) Co., Ltd.	Subsidiary
Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	Subsidiary (Note)
Formosa Polyethylene (Ningbo) Co., Ltd.	Subsidiary (Note)
Formosa Polypropylene (Ningbo) Co., Ltd.	Subsidiary (Note)
Formosa Petrochemical Corporation	Associates
Formosa Plastics Corp., U.S.A.	Associates
Formosa Heavy Industries Corp.	Associates
Mai Liao Power Corp.	Associates
Formosa Sumco Technology Corporation	Associates
Formosa Transportation Corp.	Associates
Ya Tai Development Corp.	Associates

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FORMOSA PLASTICS CORPORATION
Notes to Financial Statements

Name of related party	Relationship with Consolidated Company
Wha Ya Park Management Consulting Corporation Ltd.	Associates
Formosa Environmental Technology Corporation	Associates
Formosa Resources Corporation	Associates
Formosa Group (Cayman) Limited	Associates
Hua Ya Power Corp.	Associates
Fujian Fuxin Special Steel Co., Ltd.	Associates
Formosa Asahi Spandex Co., Ltd.	Joint venture
Formosa Daikin Advanced Chemical Co., Ltd.	Joint venture
Formosa Mitsui Advanced Chemical Co., Ltd.	Joint venture
Nan Ya Plastics Corporation	Other related parties
Formosa Chemicals and Fiber Corporation	Other related parties
Chang Gung Medical Foundation	Other related parties
Nan Ya PCB Corporation	Other related parties
Nan Chung Petrochemical Corporation	Other related parties
PFG Fiber Glass Corporation	Other related parties
Nan Ya Plastics (Hong Kong) Co., Ltd.	Other related parties
Nan Ya Plastics (Guangzhou) Co., Ltd.	Other related parties
Nan Ya Plastics (Nantong) Co., Ltd.	Other related parties
Nan Ya Plastics Film (Nantong) Co., Ltd.	Other related parties
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Other related parties
Nan Ya Plastics Corporation America	Other related parties
Formosa Industries Corp., Vietnam	Other related parties
Formosa Taffeta Co., Ltd.	Other related parties
Formosa BP Chemicals Corp.	Other related parties
Formosa Biomedical Technology Corp.	Other related parties
Formosa Carpet Co., Ltd.	Other related parties
Formosa Idemitsu Petrochemical Corp.	Other related parties
Hong Jing Resources Corp.	Other related parties
Formosa ABS Plastics (Ningbo) Co., Ltd.	Other related parties
Formosa Plastics Marine Corp.	Other related parties
Formosa Group Ocean Marine Corp.	Other related parties
Asia Pacific Development Corp.	Other related parties

(Continued)

FORMOSA PLASTICS CORPORATION
Notes to Financial Statements

Name of related party	Relationship with Consolidated Company
Nanya Technology Corporation	Other related parties
Inteplast Taiwan Corporation	Other related parties
Asian Pacific Investment Corp.	Other related parties
Formosa Ha Tinh (Cayman) Ltd.	Other related parties
Formosa Ha Tinh (Cayman) Limited Taiwan Branch	Other related parties
Formosa Ha Tinh Steel Corporation	Other related parties

Note : Formosa Industries (Ningbo) Co., Ltd. merged with Formosa Acrylic Esters (Ningbo) Co., Ltd., Formosa Polyethylene (Ningbo) Co., Ltd., Formosa Polypropylene (Ningbo) Co., Ltd. and Formosa Super Absorbent Polymer (Ningbo) Co., Ltd. on January 1, 2017, with Formosa Industries (Ningbo) Co., Ltd. as the surviving entity.

(b) Significant related-party transactions

(i) Sales to related parties

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

	Sales for the years ended December 31,		Accounts receivable –related parties	
	2017	**2016**	**December 31, 2017**	**December 31, 2016**
Subsidiaries				
Formosa Industries (Ningbo)	$ 8,396,035	4,048,454	1,580,907	1,320,642
Others	-	2,030,030	-	255,327
Associates	11,753,701	9,044,205	1,798,174	1,547,234
Joint ventures	628,110	515,602	18,298	52,608
Other related parties	22,921,707	19,476,984	2,897,850	2,106,388
	$ 43,699,553	**35,115,275**	**6,295,229**	**5,282,199**

The selling prices and collection terms for the sales to related parties are not significantly different from those third-party customers, and receivables are collected on the 27th of the month following the month of sales. The terms of receivables from other foreign related parties are O/A 60 days or L/C at sight.

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Notes to Financial Statements

(ii) Purchase from related parties

Purchases from related parties and the balance of accounts payables were as follows:

	Purchases for the years ended December 31,		Accounts payable –related parties	
	2017	**2016**	**December 31, 2017**	**December 31, 2016**
Subsidiaries	$ 856,560	672,662	77,257	120,082
Associates				
Formosa Petrochemical Corporation	84,227,514	72,303,860	8,101,464	7,364,194
Others	795,650	772,935	70,144	43,492
Joint ventures	26,697	20,199	3,524	1,787
Other related parties	3,591,678	3,069,757	270,474	264,077
	$ 89,498,099	**76,839,413**	**8,522,863**	**7,793,632**

The purchase price and payment terms for the purchase from related parties are not significantly different from those with third-party vendors, and payables are paid on the 27th of the month following the month of purchase.

(iii) Property plant and equipment

	For the year ended December 31, 2017	
	Disposal price	**Gain from disposal**
Associates	$ 150	150
Other related parties	1,070	664
	$ 1,220	**814**

3) Property plant and equipment

	For the years ended December 31,		Other receivables –related parties	
	2017	**2016**	**December 31, 2017**	**December 31, 2016**
Associates				
Formosa Petrochemical Corporation	663	439	-	-
Other related parties	72,008	150,840	1,045	377
	$ 72,671	**151,279**	**1,045**	**377**

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Notes to Financial Statements

(iv) Financing transactions

Financing transactions with related parties were as follows:

	December 31, 2017	December 31, 2016
Associates		
Formosa Heavy Industries Corp.	$ 2,871,040	1,400,000
Formosa Group (Cayman) Limited	4,259,500	8,041,750
Others	-	150,000
Other Related Parties		
Formosa Group Ocean Marine Corp.	4,238,500	3,530,039
Formosa Ha Tinh (Cayman) Ltd.	3,040,500	3,979,750
Others	-	1,774,800
	$ 14,409,540	18,876,339

As of December 31, 2017 and 2016, the interest revenue from the abovementioned transactions amounted to $17,107 and $23,804, respectively, which was recognized as other receivables–related parties.

(v) Endorsements and guarantees

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

	December 31, 2017	December 31, 2016
Associates		
Formosa Group (Cayman) Limited	$ 21,639,800	33,247,370
Others	3,208,660	-
Other Related Parties		
Formosa Ha Tinh (Cayman) Ltd.	15,457,372	12,472,657
	$ 40,305,832	45,720,027

(vi) Purchases of raw materials on behalf of related parties

The detailed information of buying raw materials on behalf of related parties were as follows:

	Amount of purchases of raw materials on behalf for the years ended December 31,		Other receivables –related parties	
	2017	2016	December 31, 2017	December 31, 2016
Subsidiaries	$ 15,897,049	13,773,568	1,302,593	1,724,915

(Continued)

FORMOSA PLASTICS CORPORATION
Notes to Financial Statements

(vii) Other transactions

	Other payables–related parties	
	December 31, 2017	**December 31, 2016**
Associates		
Formosa Petrochemical Corporation	**$ 1,106,806**	**1,024,519**

(viii) Receivables from payment on behalf of related parties

1) The Company paid for construction design service fees on behalf of related parties as follows:

	Other receivables －related parties	
	December 31, 2017	**December 31, 2016**
Associates	$ 1,004,425	641,274
Other Related Parties	-	303,946
	$ 1,004,425	**945,220**

2) The Company paid the down payments on behalf of related parties as follows:

	Prepayment (classified under other assets)	
	December 31, 2017	**December 31, 2016**
Other related parties	**$ -**	**414**

(ii) Rental (recognized as other income)

The Company lease its office and building to related parties, and derived rental income thereon as follows:

	For the years ended December 31,	
	2017	**2016**
Associates		
Formosa Petrochemical Corporation	$ 16,568	16,568
Formosa Heavy Industries Corp.	61,457	61,707
Others	6,900	5,849
Joint ventures	8,167	8,917
Other related parties		
Nan Ya Plastics Corporation	25,251	25,958
Others	17,723	12,401
	$ 136,066	**131,400**

(Continued)

The rentals charged to related parties are determined based on the local market prices, and rents are collected depending on the contract periods (e.g. monthly, semi-annually or annually).

(c) Compensation of key management

The compensation to key management was as follows:

	For the years ended December 31, 2017	2016
Short-term employee benefits	$ 76,053	64,673

(8) Pledged properties:

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

Classification of assets	Nature of Pledged Assets	December 31, 2017	December 31, 2016
Fixed assets	Property plant and equipment	$ 2,183,879	1,976,270
Refundable deposits	Certificate of deposit	34,658	34,648
Investments accounted for using equity method	Stocks of Formosa Petrochemical Corp.	10,712,252	9,700,700
		$ 12,930,789	11,711,618

(9) Significant commitments and contingencies:

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

	December 31, 2017	December 31, 2016
Endorsements and guarantees	$ 40,305,832	45,720,027

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

	December 31, 2017	December 31, 2016
Unused outstanding letters	$ 535,719	90,716

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

Formosa Industries (Ningbo) Co., Ltd., a subsidiary of the Company, signed a syndicated loan contract amounting to US$218,000 thousand with a group of financial institutions, with Bank of Taiwan as the lead bank, for its construction which commenced in 2013. According to the requirement of the consortium, the Company has to offer a letter of undertaking and commit to monitor the operations of Formosa Industries (Ningbo) Co., Ltd., as well as to provide sufficient funds to the borrower in order to ensure its subsidiary completes its construction on schedule.

(Continued)

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As of December 31, 2017, the Company' s investee, Formosa Ha Tinh (Cayman) Ltd., signed several contracts of syndicated credit lines with different banks amounting to US$1,210,000 thousand for its operational needs. According to the requirement of the bank consortium, the Company together with the other related parties have to issue a letter of undertaking and to manage the necessary funds to fulfill the repayment of obligations when needed.

(10) Losses due to major disasters: None

(11) Subsequent events:

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing on or after January 1, 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Company's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $307,822 and $622,731, respectively.

(12) Other:

The nature of operating costs and expenses of the Company were as follows:

	For the year ended December 31, 2017				For the year ended December 31, 2016			
	Operating costs	Operating expenses	Non-operating expenses	Total	Operating costs	Operating expenses	Non-operating expenses	Total
Employee benefits								
Salaries	4,914,738	2,805,024	-	7,719,762	4,957,395	2,773,659	-	7,731,054
Labor and health insurance	315,271	226,248	-	541,519	306,229	211,374	-	517,603
Pension	245,746	167,984	-	413,730	280,303	177,145	-	457,448
Others	169,008	106,182	-	275,190	166,665	105,090	-	271,755
Depreciation expenses	4,974,582	264,244	-	5,238,826	5,436,271	236,508	-	5,672,779
Amortization expenses	181,596	1,766	14,186	197,548	164,888	1,766	22,687	189,341

As of December 31, 2017 and 2016, the Company had 6,143 and 6,316 employees, respectively.

FORMOSA PLASTICS CORPORATION
Notes to Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The significant transactions required by the “Guidelines” for the Company were as follows:

(i) Fund financing to other parties (the amounts expressed in CNY are in thousands):

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing	Note
													Item	Value			
0	The Company	Formosa Petrochemical Corp.	Other receivables-related parties	Yes	19,500,000	6,000,000	-	1.408%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Formosa Chemicals & Fibre Corp.	Other receivables-related parties	Yes	8,000,000	6,000,000	-	1.408%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Nan Ya plastic Corp.	Other receivables-related parties	Yes	8,000,000	6,000,000	-	1.408%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	12,720,000	9,871,040	2,871,040	1.408% ~1.409%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Formosa Group (Cayman) Limited	Other receivables-related parties	Yes	8,041,750	4,259,500	4,259,500	1.408% ~1.409%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Formosa Plastic Transportation Corp.	Other receivables-related parties	Yes	150,000	-	-	1.408% ~1.409%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Nan Ya Technology Corp.	Other receivables-related parties	Yes	1,500,000	-	-	1.409%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Asian Pacific Investment Corp.	Other receivables-related parties	Yes	244,800	-	-	1.409%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Mai Liao Power Corp.	Other receivables-related parties	Yes	1,200,000	-	-	1.408%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Formosa Ha Tinh (Cayman) Limited	Other receivables-related parties	Yes	6,731,713	3,040,500	3,040,500	1.408% ~1.409%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Formosa Ha Tinh (Cayman) Limited Taiwan Branch	Other receivables-related parties	Yes	30,000	-	-	1.409%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Formosa Group Ocean Marine Corp.	Other receivables-related parties	Yes	8,353,422	8,008,500	4,238,500	1.408% ~1.409%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
0	The Company	Japan Formosa Sumco Technology Corp.	Other receivables-related parties	Yes	1,550,000	-	-	1%	2	-	Short-term financing	-	-	-	69,002,033	138,004,066	
1	Formosa Electronic (Ningbo) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other receivables-related parties	Yes	123,336 (CNY27,000)	-	-	3.480%	2	-	Short-term financing	-	-	-	148,593	297,185	Note 4
1	Formosa Electronic (Ningbo) Co., Ltd.	Formosa Mitsui Advanced Chemical Co., Ltd.	Other receivables-related parties	Yes	91,360 (CNY20,000)	91,360 (CNY20,000)	91,359 (CNY20,000)	3.480%	2	-	Short-term financing	-	-	-	118,874	297,185	Note 4
2	Formosa Industries (Ningbo) Co., Ltd.	Formosa Mitsui Advanced Chemical Co., Ltd.	Other receivables-related parties	Yes	137,040 (CNY30,000)	137,040 (CNY30,000)	137,039 (CNY30,000)	3.480%		-	Short-term financing	-	-	-	11,573,452	28,933,631	Note 4

Note 1: (1) Those with business contact please fill in 1

(2) Those necessary for short-term financing please fill in 2.

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Note 2: (1) The maximum financing allowed should not exceed 50% of the Company's net equity, and the maximum short-term financing to companies with no transaction with the Company could not exceed 40% of the Company's net equity as of December 31, 2017.

(2) The Company grants financing to a related party even if the Company has no normal business transactions with the entity. However, such financing is limited to 25% of the related party's equity based on the current independent auditor's report.

(3) The Company grants financing to an entity even if the Company has no normal business transactions with the entity. However, such financing is limited to 20% of the Company's equity based on the current independent auditor's report.

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

Note 3: The ending balance was approved by the Board of Directors.

Note 4: The exchange rate of New Taiwan dollars to CNY dollars was 4.568 to 1 for the highest balance of financing to other parties during the period and for the ending balance; and the exchange rate of New Taiwan dollars to CNY dollars was 4.567965 to 1 for the actual usage during the period.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Formosa Group (Cayman) Limited	6	224,256,608	32,300,800	21,639,800	21,639,800	-	6.27 %	448,513,216	N	N	N
0	The Company	Formosa Ha Tinh (Cayman) Limited	6	224,256,608	15,694,038	15,457,372	15,457,372	-	4.48 %	448,513,216	N	N	N
0	The Company	Formosa Resources Corporation	6	224,256,608	3,271,870	3,208,660	3,208,660	-	0.93 %	448,513,216	N	N	N

Note 1: The guarantees and endorsements of the Company and its subsidiaries were listed in the form of numbers with the rules below:

(1) The Company is represented by 0.

(2) The subsidiaries are represented numerically starting from 1.

Note 2: There are six conditions in which the Company may have guarantees or endorsements for other parties as follows:

(1) The Company has business relationship.

(2) The Company holds directly more than 50% of the common shares of stock of the subsidiaries.

(3) In aggregate, the Company and its subsidiaries hold more than 50% of the investee.

(4) In aggregate, the Company holds directly or its subsidiaries hold indirectly more than 50% of the investee.

(5) The Company is required to provide guarantees or endorsements for the construction project based on the construction contract.

(6) The stockholders of the Company provide guarantees or endorsements for the investee in proportion to their stockholding percentage.

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.

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Notes to Financial Statements

(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Asian Pacific Investment Corp.	Other related parties	Financial assets carried at cost	68,743	777,804	16.17 %	4,263,286	Note 1
The Company	Mai-Liao Harbor Administration Corp.	Other related parties	Financial assets carried at cost	39,574	539,486	17.99 %	975,818	Note
The Company	Taiwan Aerospace Corp.	-	Financial assets carried at cost	1,103	11,026	0.81 %	14,562	Note
The Company	Chinese Television System Inc.	-	Financial assets carried at cost	1,769	28,609	1.05 %	48,569	Note 1
The Company	China Investment & Development Co., Ltd.	-	Financial assets carried at cost	1,287	8,250	0.80 %	12,333	Note 1
The Company	Formosa Plastics Development Corp.	Other related parties	Financial assets carried at cost	15,246	90,010	18.00 %	296,382	Note
The Company	Xiangho Aircraft Leasing Corp.	-	Financial assets carried at cost	2,071	-	9.55 %	-	
The Company	Formosa Petrochemical Transportation Corporation, Ltd.	Other related parties	Financial assets carried at cost	2,642	24,013	12.00 %	39,485	Note
The Company	Formosa Network Technology Corp.	Other related parties	Financial assets carried at cost	2,925	13,331	12.50 %	63,131	Note 1
The Company	Formosa Plastics Marine Corp.	Other related parties	Financial assets carried at cost	2,429	15,000	15.00 %	136,993	Note
The Company	Formosa Group Ocean Investment Corp.	Other related parties	Financial assets carried at cost	3	856,948	19.00 %	8,601,833	Note 1
The Company	Formosa Plastics Maritime Corp.	Other related parties	Financial assets carried at cost	354	1,691	18.11 %	57,320	Note
The Company	Am Trust Capital I Corp.	-	Financial assets carried at cost	5,000	50,000	3.91 %	51,376	Note 1
The Company	Central Leasing International Corp.	-	Financial assets carried at cost	2,373	-	1.43 %	-	
The Company	Inteplast Taiwan Corporation	Other related parties	Financial assets carried at cost	2,160	21,600	18.00 %	26,967	Note 1
The Company	Mega Growth Venture Capital Co., Ltd.	-	Financial assets carried at cost	2,500	25,000	1.97 %	24,291	Note 1
Formosa Plastics Corp. (Cayman Ltd.)	Swancor (Jiangsu) Carbon Fiber Composite Co., Ltd.	-	Financial assets carried at cost	-	91,335	18.00 %	73,847	Note
Formosa Plastics International (Cayman) Limited	Formosa Ha Tinh (Cayman) Limited	Other related parties	Financial assets carried at cost	564,707	15,984,213	11.43 %	14,963,956	Note
The Company	Nan Ya Plastics Corporation	Other related parties	Available-for-sale financial asset－current	783,357	61,023,500	9.88 %	61,023,500	
The Company	Formosa Chemicals & Fibre Corporation	Other related parties	Available-for-sale financial asset－current	198,744	20,470,625	3.39 %	20,470,625	
The Company	Nan Ya Technology Corp.	Other related parties	Available-for-sale financial asset－current	334,815	25,512,934	11.21 %	25,512,934	
The Company	Mega Prosperity Private Placement Fund	-	Available-for-sale financial asset－current	14,979	4,574,268	25.00 %	4,574,268	

Note 1: The net asset value of equity was calculated based on audited financial statements.

Note 2: The net asset value of equity was calculated based on unaudited financial statements.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Formosa Industries Corp	Lolita Packaging ,L.L.C.	Investments accounted for using equity method	Lolita Packaging, L.L.C.	Associates	-	-	-	306,478	-	-	-	-	-	289,745 (Note 1)
The Company	Stock-Formosa Resources Corporation	Investments accounted for using equity method	Formosa Resources Corporation	Associates	416,250	4,159,625	168,344	1,683,440	-	-	-	-	584,594	5,361,771 (Note 2)
The Company	Securities-Formosa Plastics International (Cayman) Limited	Investments accounted for using equity method	Formosa Plastics International (Cayman) Limited	Subsidiary	50	15,441,078	1	1,738,438	-	-	-	-	51	15,984,457 (Note 3)

(Continued)

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Notes to Financial Statements

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Formosa Plastics International (Cayman) Limited	Securities- Formosa Ha Tinh (Cayman) Limited	Financial assets carried at cost	Formosa Ha Tinh (Cayman) Limited	Other related parties	508,237	15,440,968	56,470	1,737,518	-	-	-	-	564,707	15,984,213 (Note 4)
The Company	Stock- Nan Ya Technology Corp.	Available-for-sale financial asset－current			367,538	17,752,078	-	-	(32,723)	2,560,664 (Note 5)	797,948	1,762,716	334,815	25,512,934 (Note 6)

Note 1: The ending balance includes the net loss of investment accounted for using equity method of $5,252 and accumulated translation adjustment of $((11,481)).

Note 2: The ending balance includes the net loss of investment accounted for using equity method of $135,857 and accumulated translation adjustment of $((345,437)).

Note 3: The ending balance includes the net gain of investment accounted for using equity method of $147 and accumulated translation adjustment of $((1,195,206)).

Note 4: The ending balance includes the evaluation adjustment of exchange rate of $((1,194,273)).

Note 5: The Company sold 2,586,278 thousand common shares of Nan Ya Technology Corp. for $2,560,664 after deducting related expenses of $25,614.

Note 6: The ending balance includes unrealized loss on financial instruments of $8,558,804.

(v) Acquisition of individual real estate with amount exceeding the lower of $300 thousand or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of $300 thousand or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $300 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nan Ya Plastics Corporation	Other related parties	(Sales)	(11,809,292)	(6.94)%	Before the 27th of the following month	-		1,145,834	9.40%	
The Company	Formosa Chemicals & Fibre Corporation	〃	〃	(6,490,522)	(3.81)%	Before the 27th of the following month	-		732,814	6.01%	
The Company	Formosa Petrochemical Corporation	Associates	〃	(7,081,340)	(4.16)%	Before the 27th of the following month	-		598,585	4.91%	
The Company	Formosa Heavy Industries Corp.	〃	〃	(246,562)	(0.14)%	Before the 27th of the following month	-		3,098	0.03%	
The Company	Formosa Daikin Advanced Chemical Co., Ltd.	Joint venture	〃	(617,808)	(0.36)%	Before the 27th of the following month	-		17,506	0.14%	
The Company	Mai Liao Power Corp.	Associates	〃	(363,160)	(0.21)%	Before the 27th of the following month	-		39,124	0.32%	
The Company	Formosa Taffeta Co. Ltd.	Other related parties	〃	(335,499)	(0.20)%	Before the 27th of the following month	-		16,118	0.13%	
The Company	Inteplast Taiwan Corporation	〃	〃	(203,668)	(0.12)%	Before the 27th of the following month	-		19,721	0.16%	
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	〃	〃	(449,089)	(0.26)%	O/A 60 days	-		106,432	0.87%	
The Company	Nan Ya Plastics (Nantong) Co., Ltd.	〃	〃	(113,261)	(0.07)%	O/A 60 days	-		51,839	0.43%	
The Company	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	〃	〃	(232,625)	(0.14)%	O/A 60 days	-		87,834	0.72%	

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Notes to Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Other related parties	(Sales)	(2,498,300)	(1.47)%	O/A 60 days	-		649,734	5.33%	
The Company	Formosa Industries Corp., Vietnam	Other related parties	〃	(448,430)	(0.26)%	O/A 60 days	-		48,318	0.40%	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent-subsidiary	〃	(8,396,035)	(4.93)%	O/A 90 days	-		1,580,907	12.97%	
The Company	Formosa Plastics Corp., U.S.A.	Associates	〃	(3,997,829)	(2.35)%	O/A 90 days	-		1,151,465	9.45%	
Formosa Industries (Ningbo) Co., Ltd.	The Company	Parent-subsidiary	〃	(856,560)	(1.88)%	Before the 30th of the following month	-		77,257	1.43%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd.	Other related parties	〃	(287,406)	(0.63)%	Before the 30th of the following month	-		43,591	0.81%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Nantong) Co., Ltd.	〃	〃	(570,454)	(1.26)%	Before the 30th of the following month	-		61,788	1.15%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Xiamen) Co., Ltd.	〃	〃	(213,202)	(0.47)%	Before the 30th of the following month	-		19,533	0.36%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Guangzhou) Co., Ltd.	〃	〃	(409,716)	(0.90)%	Before the 30th of the following month	-		54,260	1.01%	
The Company	Nan Ya Plastics Corporation	Other related parties	Purchase	1,040,836	0.87 %	Before the 27th of the following month	-		(59,493)	(0.52)%	
The Company	Formosa Chemicals & Fibre Corporation	〃	〃	2,424,287	2.03 %	Before the 27th of the following month	-		(206,879)	(1.82)%	
The Company	Formosa Petrochemical Corporation	Associates	〃	84,227,514	70.62 %	Before the 27th of the following month	-		(8,101,464)	(71.09)%	
The Company	Formosa Heavy Industries Corp.	〃	〃	795,650	0.67 %	Before the 27th of the following month	-		(70,144)	(0.62)%	
The Company	Formosa BP Chemicals Corp.	Other related parties	〃	102,272	0.09 %	Before the 27th of the following month	-		(3,766)	(0.03)%	
Formosa Industries (Ningbo) Co., Ltd.	The Company	Parent-subsidiary	〃	24,293,084	64.70 %	O/A 90 days	-		(2,883,500)	(72.06)%	Note
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics Corporation	Other related parties	〃	156,174	0.42 %	O/A 90 days	-		(6,829)	(0.17)%	

Note ：Including the purchases of raw materials on behalf of related parties.

(Continued)

FORMOSA PLASTICS CORPORATION
Notes to Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of $100 thousand or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Nan Ya Plastics Corporation	Other related parties	1,145,834	11.90 %	-		1,145,834	-	
The Company	Formosa Chemicals & Fibre Corporation	〃	732,814	10.42 %	-		732,814	-	
The Company	Formosa Petrochemical Corporation	Associates	598,585	11.58 %	-		598,585	-	
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	Other related parties	106,432	3.85 %	-		74,206	-	
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Other related parties	649,734	4.51 %	-		491,440	-	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent subsidiary	1,580,907	5.32 %	-		1,187,942	-	
The Company	Formosa Plastics Corp., U.S.A.	Associates	1,151,465	3.97 %	-		667,345	-	
The Company	Formosa Heavy Industries Corp.	Associates	2,871,040	-	-		-	-	
The Company	Formosa Ha Tinh(Cayman) Limited	Other related parties	3,040,500	-	-		-	-	
The Company	Formosa Group Ocean Marine Corp.	Other related parties	4,238,500	-	-		-	-	
The Company	Formosa Group(Cayman) Limited	Associates	4,259,500	-	-		-	-	
The Company	Fujian Fuxin Special Steel Co., Ltd	Associates	1,004,425	-	-		-	-	
Formosa Industries (Ningbo) Co., Ltd.	Formosa Mitsui Advanced Chemical Co., Ltd.	Other related parties	137,039	-	-		-	-	

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

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2017 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2017	December 31, 2016	Shares (thousands)	Ownership	Carrying value			
The Company	Formosa Petrochemical Corporation	Taiwan	Petrochemicals	30,144,951	30,144,951	2,720,549	28.56 %	97,144,019	80,170,146	22,866,965	Note, Note 1
The Company	Formosa Plastics Corp., U.S.A.	U.S.A	Chemicals	5,614,024	5,614,024	70	22.61 %	56,660,362	27,936,930	6,316,205	Note, Note 1
The Company	Formosa Heavy Industries Corp.	Taiwan	Mechanical equipment	2,498,463	2,498,463	651,828	32.92 %	7,616,375	342,788	118,039	Note, Note 1
The Company	Sky Dragon Investment Limited	Samoa	Investment	8,759,992	8,759,992	280,000	50.00 %	2,973,156	(257,073)	(128,536)	Note, Note 1
The Company	Formosa Plastics Corp. (Cayman Ltd.)	Cayman	Investment	19,104,301	19,104,301	76	100.00 %	29,410,382	2,934,815	2,934,815	Note, Note 1, Note 2
The Company	Mai Liao Power Corp.	Taiwan	Electricity	5,985,531	5,985,531	547,030	24.94 %	10,845,857	855,329	213,360	Note, Note 1
The Company	Formosa Sumco Technology Corp.	Taiwan	Electronics manufacture	2,837,042	2,837,042	225,415	29.06 %	6,297,821	2,242,774	651,743	Note, Note 1
The Company	Formosa Transportation Corp.	Taiwan	Transportation	60,664	60,664	4,770	33.33 %	694,761	14,979	4,992	Note, Note 1
The Company	Formosa Fairway Corp.	Taiwan	Transportation	33,330	33,330	4,698	33.33 %	100,952	(15,393)	(5,130)	Note 1
The Company	Yi-Jih Development Corp.	Taiwan	Construction	57,000	57,000	5,700	28.72 %	63,027	925	266	Note 1
The Company	Ya Tai Development Corp.	Taiwan	Development of land	54,034	54,034	1,306	45.04 %	23,408	(7,001)	(3,153)	Note 1
The Company	Formosa Asahi Spandex Co., Ltd.	Taiwan	Artificial fiber	501,752	501,752	50	50.00 %	1,337,432	262,857	131,428	Note 1
The Company	Formosa Automobile Corporation	Taiwan	Automobile	270,442	270,442	27,044	45.00 %	-	85,408	38,434	Note 1
The Company	Wha Ya Park Management Consulting Corporation Ltd.	Taiwan	Consulting service	341	341	33	33.00 %	1,382	327	108	Note 1
The Company	Formosa Daikin Advanced Chemical Co., Ltd.	Taiwan	Chemical industry	100,000	100,000	24	50.00 %	992,930	318,830	159,415	Note 1
The Company	Su-Hua Transportation Corporation	Taiwan	Transportation	50,000	50,000	10,495	25.00 %	275,864	104,601	26,150	Note 1
The Company	Formosa Resources Corporation	Taiwan	Mining industry	5,845,940	4,162,500	584,594	25.00 %	5,361,771	(543,427)	(135,857)	Note, Note 1
The Company	Formosa Environmental Technology Corporation	Taiwan	Environmental industry	417,145	417,145	41,714	24.34 %	226,435	(119,695)	(29,134)	Note, Note 1

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount December 31, 2017	Original investment amount December 31, 2016	Balance as of December 31, 2017 Shares (thousands)	Balance as of December 31, 2017 Ownership	Balance as of December 31, 2017 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	Formosa Plastics Development Corporation Ltd.	Taiwan	Construction	100,000	100,000	10,000	33.33 %	87,773	(12,454)	(4,151)	Note 1
The Company	Formosa Group (Cayman) Limited	Cayman	Investment	377	377	13	25.00 %	348,135	(652,584)	(163,146)	Note, Note 1, Note 2
The Company	Formosa Industries Corporation	U.S.A	Chemicals	6,864,287	6,864,287	2	100.00 %	5,754,520	(361,873)	(361,873)	Note, Note 1, Note 2
The Company	Formosa Plastics International (Cayman) Limited.	Cayman	Investment	17,108,550	15,370,112	51	100.00 %	15,984,457	147	147	Note, Note 1, Note 2
Formosa Plastics Corp. (Cayman Ltd.)	Formosa Industries (Hong Kong) Limited	Hong Kong	Reinvestment	7,687,504 (USD234,902)	7,687,504 (USD234,902)	-	100.00 %	29,238,330 (USD979,575)	2,954,211 (USD97,110)	2,954,211 (USD97,110)	Note 1, Note 2
Formosa Industries Corporation	Formosa Olefins, L.L.C.	U.S.A	Olefins	3,164,416 (USD95,700)	3,164,416 (USD95,700)	-	33.00 %	2,611,119 (USD87,481)	(420,267) (USD-13,815)	(138,688) (USD-4,559)	Note 1, Note 2
Formosa Industries Corporation	Lolita Packaging, L.L.C.	U.S.A	Transportation	306,478 (USD9,880)	-	-	38.00 %	289,745 (USD9,707)	(13,821) (USD-454)	(5,252) (USD-173)	Note 1, Note 2

Note ： Including cumulative translation adjustments.

Note 1： Long-term equity investments under equity method.

Note 2： The exchange rate of New Taiwan dollars to US dollars on December 31, 2017, was 29.848 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2017, was 30.4212 to 1.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Percentage of ownership	Book value	Highest Percentage of ownership	Accumulated remittance of earnings in current period
Formosa Industries (Ningbo) Co., Ltd. (note 2)	Plastics	23,074,124 (USD722,023)	(2)	18,814,370 (USD578,270)	-	-	18,814,370 (USD578,270)	2,926,182 (USD96,189)	100.00%	2,926,182 (USD96,189)	28,941,145 (USD969,618)	-
Formosa Electronic (Ningbo) Co., Ltd. (note 2)	Electronics	74,648 (USD2,260)	(2)	66,137 (USD2,000)	-	-	66,137 (USD2,000)	28,029 (USD921)	100.00%	28,029 (USD921)	297,185 (USD9,957)	-
Formosa Mitsui Advanced Chemical Co., Ltd.	Electrolyte	244,196 (USD8,200)	(2)	122,098 (USD4,100)	-	-	122,098 (USD4,100)	(38,585) (USD-1,268)	50.00%	(19,293) (USD-634)	77,516 (USD2,597)	-
Fujian Fuxin Special Steel Co., Ltd	Steel	29,885,920 (USD960,000)	(2)	8,759,992 (USD280,000)	-	-	8,759,992 (USD280,000)	(440,660) (USD-14,485)	29.17%	(128,518) (USD-4,225)	2,972,651 (USD99,593)	-
Swancor (Jiangsu) Carbon Fiber Composite Co., Ltd.	Carbon fiber	555,517 (USD17,000)	(2)	99,993 (USD3,060)	-	-	99,993 (USD3,060)	(63,701) (USD-2,094)	18.00%	-	91,335 (USD3,060)	-

Note1: 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.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
27,862,590 (USD867,430)	30,189,551 (USD1,011,443)	-

Note: The exchange rate of New Taiwan dollars to US dollars on December 31, 2017, was 29.848 to 1.

Note 1: Including USD$144,013 thousand approved capital increase out of retained earnings.

Note 2: The Industrial Development Bureau of the MOEA issued a letter to the Company stating that it qualifies under Section 12 of the Statute for Upgrading Industries.

(iii) Significant transactions: None

(14) Segment information:

Please refer to the consolidated financial statements in 2017.