

**FORMOSA CHEMICALS & FIBRE  
CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2013 AND 2014**

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

**FORMOSA CHEMICALS & FIBRE CORPORATION  
AND SUBSIDIARIES**

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資誠

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR14003622

To: The Board of Directors and Shareholders of Formosa Chemicals & Fibre Corporation

We have audited the accompanying consolidated balance sheets of Formosa Chemicals & Fibre Corporation and its subsidiaries as of December 31, 2013 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of Formosa Chemicals & Fibre Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$28,980,399 thousand and NT\$31,808,412 thousand, both constituting 6% of the consolidated total assets as of December 31, 2013 and 2014, respectively, and total operating revenues of NT\$26,900,072 thousand and NT\$27,600,059 thousand, constituting 6% and 7% of the consolidated total operating revenues for the years then ended, respectively. We also did not audit the financial statements of certain investments accounted for under equity method. The comprehensive income (including share of profit (loss) of associates accounted for using equity method and share of profit (loss) and other comprehensive income of associates) amounted to NT\$12,328,659 thousand and NT\$9,615,518 thousand, representing 28% and 36% of the total comprehensive income for the years ended December 31, 2013 and 2014, respectively, and the balance of related investment accounted for using equity method amounted to NT\$102,663,455 thousand and NT\$105,276,179 thousand, both constituting 20% of the consolidated total assets as of December 31, 2013 and 2014, respectively. Those financial statements and the information disclosed in Note 13 were audited by other certified public accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other certified public accountants.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable

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assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other certified public accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Formosa Chemicals & Fibre Corporation as of December 31, 2013 and 2014, and their financial performance and cash flows for the years then ended in conformity with the “Rules Governing the Preparations of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Formosa Chemicals & Fibre Corporation as of and for the years ended December 31, 2013 and 2014, and have expressed a modified unqualified opinion on such financial statements.

*PricewaterhouseCoopers, Taiwan*

PricewaterhouseCoopers, Taiwan

March 20, 2015

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2013 and 2014**  
(Expressed in thousands of dollars)

Assets	Notes	December 31, 2013		December 31, 2014	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 11,459,481	2	\$ 14,335,920	3
Financial assets at fair value through profit or loss - current	6(2)	1,352	-	654,499	-
Available-for-sale financial assets - current	6(3)	71,852,908	14	85,403,726	16
Notes receivable, net	6(4)	12,050,211	2	11,118,245	2
Notes receivable - related parties	7	6,963	-	2,743	-
Accounts receivable, net	6(5)	21,756,367	4	18,966,457	4
Accounts receivable - related parties	7	9,511,848	2	6,796,500	1
Other receivables	7	7,913,999	2	15,221,828	3
Other receivables - related parties	7	13,300,700	3	18,147,440	4
Inventory	6(6) and 8	53,825,396	10	48,948,094	9
Other current assets	7 and 8	12,240,725	2	6,335,961	1
<b>Total current assets</b>		213,919,950	41	225,931,413	43
<b>Non-current assets</b>					
Available-for-sale financial assets - non-current	6(3) and 8	45,316,216	9	37,051,836	7
Financial assets carried at cost - non-current	6(7)	2,878,666	-	3,513,344	1
Investments accounted for under equity method	6(8) 7 and 8	104,510,758	20	107,084,191	20
Property, plant and equipment	6(9) 7 and 8	145,053,156	27	144,975,464	27
Intangible assets		7,487	-	5,709	-
Deferred income tax assets	6(25)	3,155,945	1	2,442,073	-
Other non-current assets	8	10,847,941	2	9,774,533	2
<b>Total non-current assets</b>		311,770,169	59	304,847,150	57
<b>Total assets</b>		\$ 525,690,119	100	\$ 530,778,563	100

(Continued)

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2013 and 2014**  
(Expressed in thousands of dollars)

Liabilities and Equity	Notes	December 31, 2013		December 31, 2014	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Short-term borrowings	6(10)	\$ 27,996,683	5	\$ 29,187,199	6
Short-term notes and bills payable	6(10)	1,349,848	-	2,349,524	-
Financial liabilities at fair value through profit or loss - current	6(11)	704	-	5,844	-
Notes payable		172,083	-	205,567	-
Accounts payable		7,161,965	1	6,950,717	1
Accounts payable - related parties	7	24,476,468	5	15,044,168	3
Other payables	6(17)	6,624,633	1	9,264,670	2
Other payables - related parties	7	3,214,692	1	2,815,901	1
Current income tax liabilities	6(25)	2,190,113	1	286,812	-
Long-term liabilities, current portion	6(12)(13)	21,944,368	4	23,389,560	4
Other current liabilities		2,745,414	1	1,765,123	-
<b>Total current liabilities</b>		<u>97,876,971</u>	<u>19</u>	<u>91,265,085</u>	<u>17</u>
<b>Non-current liabilities</b>					
Corporate bonds payable	6(12)	50,000,000	10	56,000,000	11
Long-term borrowings	6(13)	54,078,987	10	47,985,578	9
Deferred income tax liabilities	6(25)	251,529	-	923,110	-
Other non-current liabilities	6(14)	10,774,831	2	10,718,436	2
<b>Total non-current liabilities</b>		<u>115,105,347</u>	<u>22</u>	<u>115,627,124</u>	<u>22</u>
<b>Total liabilities</b>		<u>212,982,318</u>	<u>41</u>	<u>206,892,209</u>	<u>39</u>
<b>Equity attributable to owners of parent</b>					
<b>Share capital</b>	6(15)				
Common stock		58,611,863	11	58,611,863	11
<b>Capital surplus</b>	6(16)				
Capital surplus		8,632,578	2	8,668,561	2
<b>Retained earnings</b>	6(17)				
Legal reserve		40,366,323	8	42,852,687	8
Special reserve		39,506,782	7	41,927,550	8
Unappropriated retained earnings	6(25)	43,370,427	8	34,340,617	6
<b>Other equity interest</b>	6(18)				
Other equity interest		77,161,270	15	91,813,226	17
Treasury stocks		( 236,522 )	-	( 332,413 )	-
<b>Equity attributable to owners of the parent</b>		<u>267,412,721</u>	<u>51</u>	<u>277,882,091</u>	<u>52</u>
<b>Non-controlling interest</b>		<u>45,295,080</u>	<u>8</u>	<u>46,004,263</u>	<u>9</u>
<b>Total equity</b>		<u>312,707,801</u>	<u>59</u>	<u>323,886,354</u>	<u>61</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>	9				
<b>Significant events after the balance sheet date</b>	11				
<b>Total liabilities and equity</b>		<u>\$ 525,690,119</u>	<u>100</u>	<u>\$ 530,778,563</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 20, 2015.



**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2014**  
(Expressed in thousands of dollars, except for earnings per share amount)

Items	Notes	2013		2014	
		AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>	6(19) and 7	\$ 427,999,934	100	\$ 401,453,739	100
<b>Operating costs</b>	6(6)(14)(23) (24)				
	and 7	( 395,440,460 )	( 93 )	( 383,655,665 )	( 96 )
<b>Net operating margin</b>		32,559,474	7	17,798,074	4
<b>Operating expenses</b>	6(14)(23)(24) and 7				
Selling expenses		( 7,858,437 )	( 2 )	( 8,468,032 )	( 2 )
General and administrative expenses		( 5,722,801 )	( 1 )	( 5,284,295 )	( 1 )
<b>Total operating expenses</b>		( 13,581,238 )	( 3 )	( 13,752,327 )	( 3 )
<b>Operating profit</b>		18,978,236	4	4,045,747	1
<b>Non-operating income and expenses</b>					
Other income	6(20) and 7	2,834,028	1	4,894,649	1
Other gains and losses	6(8)(21)	1,998,590	1	4,806,423	1
Finance costs	6(9)(22) and 7	( 2,620,766 )	( 1 )	( 2,584,695 )	-
Share of profit of associates and joint ventures accounted for under equity method	6(8)	9,116,739	2	4,532,308	1
<b>Total non-operating income and expenses</b>		11,328,591	3	11,648,685	3
<b>Profit before income tax</b>		30,306,827	7	15,694,432	4
Income tax expense	6(25)	( 3,628,303 )	( 1 )	( 1,673,291 )	-
<b>Profit for the year</b>		\$ 26,678,524	6	\$ 14,021,141	4

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The accompanying notes are an integral part of these consolidated financial statements.  
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**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2014**  
(Expressed in thousands of dollars, except for earnings per share amount)

Items	Notes	2013		2014	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (net)</b>	6(18)(25)				
Financial statements translation differences of foreign operations		\$ 2,582,805	-	\$ 4,356,765	1
Unrealized gain on valuation of available-for-sale financial assets	6(3)	12,786,383	3	5,170,789	1
Share of other comprehensive income of associates and joint ventures accounted for under equity method		2,552,268	1	3,867,126	1
Income tax relating to the components of other comprehensive income		( 310,497 )	-	( 542,225 )	-
<b>Total comprehensive income for the year</b>		<u>\$ 44,289,483</u>	<u>10</u>	<u>\$ 26,873,596</u>	<u>7</u>
<b>Net income attributable to:</b>					
Owners of the parent		\$ 24,863,645	6	\$ 10,530,288	3
Non-controlling interest		1,814,879	-	3,490,853	1
		<u>\$ 26,678,524</u>	<u>6</u>	<u>\$ 14,021,141</u>	<u>4</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		\$ 42,928,742	10	\$ 25,182,244	7
Non-controlling interest		1,360,741	-	1,691,352	-
		<u>\$ 44,289,483</u>	<u>10</u>	<u>\$ 26,873,596</u>	<u>7</u>

  

		2013		2014	
		Before Tax	After Tax	Before Tax	After Tax
<b>Basic earnings per share</b>	6(26)				
Income from continuing operations		\$ 5.19	\$ 4.56	\$ 2.68	\$ 2.40
Net income of non-controlling interests		( 0.54 )	( 0.31 )	( 0.77 )	( 0.60 )
<b>Net income attributable to common equity holders of the parent</b>		<u>\$ 4.65</u>	<u>\$ 4.25</u>	<u>\$ 1.91</u>	<u>\$ 1.80</u>

  

<b>Pro forma information assuming the investment of the subsidiary, Formosa Taffeta Co., Ltd., and indirectly owned subsidiary are not treated as treasury stock:</b>					
Income from continuing operations		\$ 5.17	\$ 4.55	\$ 2.68	\$ 2.39
Net income of non-controlling interests		( 0.54 )	( 0.31 )	( 0.77 )	( 0.59 )
<b>Net income attributable to common equity holders of the parent</b>		<u>\$ 4.63</u>	<u>\$ 4.24</u>	<u>\$ 1.91</u>	<u>\$ 1.80</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 20, 2015.



**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2014**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent													
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**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2014**  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent													

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 20, 2015.

**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2014**  
(Expressed in thousands of dollars)

	Notes	2013	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Consolidated profit before tax for the year		\$ 30,306,827	\$ 15,694,432
Adjustments to reconcile net income to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(9)(23)	18,110,987	17,082,788
Amortization	6(23)	4,224,724	3,198,337
Bad debts expense	6(5)	8,504	3,865
Net gain on financial assets and liabilities at fair value through profit or loss	6(2)(11)(21)	( 50,151 )	( 3,785 )
Interest expense	6(22)	2,620,766	2,584,695
Interest income	6(20)	( 474,907 )	( 393,860 )
Dividend income	6(20)	( 1,086,634 )	( 3,052,980 )
Share of profit or loss of associates accounted for under the equity method		( 9,116,739 )	( 4,532,308 )
Impairment loss on property, plant and equipment	6(9)(21)	763,757	-
Gain on disposal of property, plant and equipment	6(21)	( 213,208 )	( 686,917 )
Gain on disposal of investments	6(21)	( 174,705 )	( 2,953,517 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		-	( 649,537 )
Notes receivable		219,695	931,966
Notes receivable-related parties		7,661	4,220
Accounts receivable	( 649,602 )	2,784,185	
Accounts receivable-related parties	( 238,098 )	2,715,348	
Other receivables	( 3,567,595 )	( 10,428,047 )	
Inventories	( 2,333,811 )	4,877,302	
Other current assets	( 1,438,209 )	8,927,878	
Other non-current assets	( 603,792 )	( 88,020 )	
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		-	( 239 )
Notes payable		14,939	33,484
Accounts payable		1,807,562	78,735
Accounts payable-related parties		1,602,096	( 9,432,301 )
Other payables		946,894	2,371,447
Other current liabilities	( 1,560,549 )	( 980,291 )	
Accrued pension liabilities	( 40,093 )	( 88,521 )	
Cash generated from operations		39,086,319	27,998,359
Interest received		491,306	390,271
Interest paid	( 2,673,462 )	( 2,728,102 )	
Dividend received		3,086,266	10,273,419
Income tax paid	( 946,225 )	( 2,945,660 )	
Net cash provided by operating activities		39,044,204	32,988,287

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**FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2014**  
(Expressed in thousands of dollars)

	Notes	2013	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) decrease in other receivables-related parties		\$ 5,859,300	( \$ 4,846,740 )
Acquisition of available-for-sale financial assets		-	( 391,332 )
Proceeds from disposal of available-for-sale financial assets		655,552	528,262
Proceeds from disposal of financial assets measured at cost		37,701	170,062
Acquisition of investments accounted for under the equity method		( 14,928,029 )	( 1,297,031 )
Change in net cash from disposal of subsidiaries		122,745	-
Proceeds from disposal of investments accounted for under equity method		-	3,744,168
Acquisition of property, plant and equipment	6(27)	( 13,162,293 )	( 13,960,361 )
Proceeds from disposal of property, plant and equipment		315,223	905,761
Acquisition of intangible assets		( 24,287 )	( 92 )
Increase in deferred expenses		( 5,860,947 )	( 3,050,448 )
Increase in prepayment for investment		( 800,000 )	-
Net cash used in investing activities		( 27,785,035 )	( 18,197,751 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term borrowings		4,079,510	1,190,516
Increase (decrease) in short-term notes and bills payable		( 11,549,004 )	999,676
Decrease in other payables-related parties		( 2,862,903 )	( 398,791 )
Increase in corporate bonds payable		15,000,000	16,000,000
Increase in long-term borrowings		39,036,967	30,736,861
Payment of long-term borrowings		( 44,540,502 )	( 38,217,959 )
Payment of corporate bonds payable		( 7,800,000 )	( 7,800,000 )
(Decrease) increase in other non-current liabilities		( 78,905 )	11,439
Decrease in guarantee deposits		58,475	20,687
Payment of cash dividends	6(27)	( 3,585,562 )	( 14,146,357 )
Decrease in non-controlling interest		( 1,207,815 )	( 1,115,345 )
Net cash used in financing activities		( 13,449,739 )	( 12,719,273 )
Effect of foreign exchange translations		2,087,182	805,176
Increase (decrease) in cash and cash equivalents		( 103,388 )	2,876,439
Cash and cash equivalents at beginning of year		11,562,869	11,459,481
Cash and cash equivalents at end of year		<u>\$ 11,459,481</u>	<u>\$ 14,335,920</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 20, 2015.

FORMOSA CHEMICALS & FIBRE CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 20, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers " effective January 1, 2015 (collectively referred herein as the “2013 version of IFRSs”) in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendments to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendments to IFRS 1)	July 1, 2011
Government loans (amendments to IFRS 1)	January 1, 2013
Disclosures—Transfers of financial assets (amendments to IFRS 7)	July 1, 2011
Disclosures—Offsetting financial assets and financial liabilities (amendments to IFRS 7)	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, ‘Joint arrangements’	January 1, 2013
IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
Presentation of items of other comprehensive income (amendments to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendments to IAS 12)	January 1, 2012
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27, ‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’ (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendments to IAS 32)	January 1, 2014
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009—2011	January 1, 2013

Based on the Group’s assessment, the adoption of the 2013 version of IFRSs has no significant impact on the consolidated financial statements of the Group, except the following:

A. IAS 19 (revised), ‘Employee benefits’

The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past service cost will be recognized immediately in the period incurred rather than amortised on a straight-line basis over the vesting period. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replaces the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognized in other comprehensive income. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity’s future cash flows.

**B.IAS 1, 'Presentation of financial statements'**

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

**C.IFRS 12, 'Disclosure of interests in other entities'**

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group will also disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

**D.Improvements to IFRSs 2009-2011: Amendment to IAS 16, 'Property, plant and equipment'**

The amendment clarifies that spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

**E.IFRS 13, 'Fair value measurement'**

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. The standard also requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.



Based on the Group's assessment, significant effects of applying the 2013 version of IFRSs to its consolidated financial statements are summarized in the following:

Consolidated balance sheet Affected items	2010 version IFRSs amount	Effect of Transition	2013 version IFRSs amount	Remark
<u>January 1, 2014</u>				
Investments accounted for using equity method	\$ 104,510,758	(\$ 44,518)	\$ 104,466,240	
Deferred income tax assets	3,155,945	54,240	3,210,185	
Others	418,023,416	-	418,023,416	
Total affected assets	<u>\$ 525,690,119</u>	<u>\$ 9,722</u>	<u>\$ 525,699,841</u>	
Accrued pension liabilities	\$ 10,452,088	\$ 319,061	\$ 10,771,149	
Others	202,530,230	-	202,530,230	
Total affected liabilities	<u>212,982,318</u>	<u>319,061</u>	<u>213,301,379</u>	
Retained earnings	43,370,427	( 259,336)	43,111,091	
Others	224,042,294		224,042,294	
Non-controlling interests	45,295,080	( 50,003)	45,245,077	
Total affected equity	<u>312,707,801</u>	<u>( 309,339)</u>	<u>312,398,462</u>	
Total affected liabilities and equity	<u>\$ 525,690,119</u>	<u>\$ 9,722</u>	<u>\$ 525,699,841</u>	
Consolidated balance sheet Affected items	2010 version IFRSs amount	Effect of Transition	2013 version IFRSs amount	Remark
<u>December 31, 2014</u>				
Investments accounted for using equity method	\$ 107,084,191	(\$ 14,067)	\$ 107,070,124	
Deferred income tax assets	2,442,073	54,681	2,496,754	
Others	421,252,299	-	421,252,299	
Total affected assets	<u>\$ 530,778,563</u>	<u>\$ 40,614</u>	<u>\$ 530,819,177</u>	
Accrued pension liabilities	\$ 10,363,567	\$ 626,867	\$ 10,990,434	
Others	196,528,642	-	196,528,642	
Total affected liabilities	<u>206,892,209</u>	<u>626,867</u>	<u>207,519,076</u>	
Retained earnings	34,340,617	( 451,910)	33,888,707	
Others	243,541,474		243,541,474	
Non-controlling interests	46,004,263	( 134,343)	45,869,920	
Total affected equity	<u>323,886,354</u>	<u>( 586,253)</u>	<u>323,300,101</u>	
Total affected liabilities and equity	<u>\$ 530,778,563</u>	<u>\$ 40,614</u>	<u>\$ 530,819,177</u>	

Consolidated statement of comprehensive income Affected items	2010 version IFRSs amount	Effect of Transition	2013 version IFRSs amount	Remark
<u>Year ended December 31, 2014</u>				
Operating revenue	\$ 401,453,739	\$ -	\$ 401,453,739	
Operating costs	( 383,655,665)	-	( 383,655,665)	
Operating expenses	( 13,752,327)	( 2,589)	( 13,754,916)	
Non-operating income and expenses	<u>11,648,685</u>	<u>227</u>	<u>11,648,912</u>	
Profit before income tax	15,694,432	( 2,362)	15,692,070	
Income tax expense	( 1,673,291)	441	( 1,672,850)	
Profit for the year	<u>\$ 14,021,141</u>	<u>(\$ 1,921)</u>	<u>\$ 14,019,220</u>	
Other comprehensive income (net)				
Actuarial gain (loss) on defined benefit plans	\$ -	(\$ 305,216)	(\$ 305,216)	
Share of other comprehensive income of associates and joint ventures accounted for under equity method	3,867,126	114,612	3,981,738	
Others	<u>8,985,329</u>	<u>-</u>	<u>8,985,329</u>	
Total comprehensive income for the year	<u>\$ 26,873,596</u>	<u>(\$ 192,525)</u>	<u>\$ 26,681,071</u>	
Net income attributable to:				
Owners of the parent	\$ 10,530,288	(\$ 1,970)	\$ 10,528,318	
Non-controlling interest	<u>3,490,853</u>	<u>49</u>	<u>3,490,902</u>	
Profit for the year	<u>\$ 14,021,141</u>	<u>(\$ 1,921)</u>	<u>\$ 14,019,220</u>	

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets plus unrecognized past service cost and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, as such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B.Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2013	December 31, 2014	
The Company	Formosa Carpet Corp.	Spinning, dyeing printing and finishing, and manufacturing synthetic fibre and rug and carpet	100.00	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC Investment Corp. (Cayman)	Investing	100.00	100.00	The Company holds more than 50% of voting rights.
FCFC Investment Corp. (Cayman)	Formosa ABS Plastics (Ningbo) Co., Ltd.	Sale of Acrylonitrile Butadiene Styrene (ABS)	100.00	100.00	The Company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman)
FCFC Investment Corp. (Cayman)	Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	100.00	100.00	The Company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman)
FCFC Investment Corp. (Cayman)	Formosa Phenol (Ningbo) Limited Co.	Manufacturing Acetone and Synthetic Phenolic	100.00	100.00	The Company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman)
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Investing	100.00	100.00	The Company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman)
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa PS (Ningbo) Co., Ltd.	Sale of Polystyrene	100.00	100.00	The Company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2013	December 31, 2014	
Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Production and marketing of PTA	100.00	100.00	The Company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong)
The Company	Formosa Biomedical Technology Corp.	Manufacturing and sale of cleaner and cosmetics	91.62	88.59	The Company holds more than 50% of voting rights.
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Removal and disposal of waste	51.00	51.00	The Company holds more than 50% of voting rights through an 88.59% owned company - Formosa Biomedical Technology Corp.
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (SAMOA) Co., Ltd.	Investment	100.00	100.00	Formosa Biomedical Technology Corp. holds more than 50% of voting rights
Formosa Biomedical Technology (SAMOA) Corp. Ltd	Formosa Biomedical Trading (Shanghai) Co., Ltd	Importing, exporting and wholesale of health food	100.00	100.00	Formosa Biomedical Technology Corp. holds more than 50% of voting rights through a 100% owned company - Formosa Biomedical Technology (SAMOA) Corp. Ltd.
The Company	Tah Shin Spinning Corp.	Spinning	86.40	86.40	The Company holds more than 50% of voting rights.
The Company	Formosa Idemitsu Petrochemical Corp.	Wholesale and retail of petrochemical and plastic raw materials	50.00	50.00	The Company has substantial control and thus regards Formosa Idemitsu Petrochemical Corp. as a subsidiary.



Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2013	December 31, 2014	
The Company	Formosa BP Chemicals Corp.	Chemistry, international trade of petrochemistry	50.00	50.00	The Company has substantial control and thus regards Formosa BP Chemicals Corp. as a subsidiary.
The Company	Formosa Industries Corp.	Production and marketing of textile, polyester staple fibre, cotton, hydropower	42.50	42.50	The Company has substantial control and thus regards Formosa Industries Corp. as a subsidiary.
The Company	Formosa Taffeta Co., Ltd.	Production and marketing of Polyamine fabric, Polyester fabric, cotton fabric, blended fabric and tire cord fabric	37.40	37.40	The Company has substantial control and thus regards Formosa BP Chemicals Corp. as a subsidiary.
Formosa Taffeta Co., Ltd.	Formosa Industries Corp.	Production and marketing of textile, polyester staple fibre, cotton, hydropower	10.00	10.00	The Company and Formosa Taffeta Co., Ltd. hold more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	65.68	65.68	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co., Ltd.	Production of cotton lun, Terylene greige cloth, coloured cloth and textured processing yarn products	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Manufacturing, processing and supply of spinning, weaving, carpet, curtain and cleaners	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2013	December 31, 2014	
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Sale of Nylon and Polyamine fabric	99.90	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric of 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	43.00	43.00	Formosa Taffeta Co., Ltd. has substantial control and thus regards Schoeller F.T.C. (Hong Kong) Co., Ltd. as a subsidiary.
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Manufacturing of nylon and polyester filament products	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Investment	0.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing of processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 99.86% owned company - Formosa Taffeta (Hong Kong) Co., Ltd.

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

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

E.Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company:  
None

(4) Foreign currency translation

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

A.Foreign currency transactions and balances

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

B.Translation of foreign operations

- (a)The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or jointly controlled entity, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even the Group still retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

(5) Classification of current and non-current items

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

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

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

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

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

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B.The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a)Significant financial difficulty of the issuer or debtor;
- (b)A breach of contract, such as a default or delinquency in interest or principal payments;
- (c)The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d)It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- (e)The disappearance of an active market for that financial asset because of financial difficulties;
- (f)Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- (g)Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h)A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C.When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

- (a)Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

- (b)Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized

by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

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

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

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



payments on behalf of the associate.

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

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

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

(15) Intangible assets

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

(16) Impairment of non-financial assets

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

(17) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

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

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss.

(23) Employee benefits

A. Short-term employee benefits

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

## B. Pensions

### (a) Defined contribution plans

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

### (b) Defined benefit plans

i. Defined benefit plans are different from defined contribution plans. The amount of pension benefits for employees at retirement is often dependent upon one or more factors, such as age, service life and salary of the employee. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).

ii. Actuarial gains and losses arising on defined benefit plans are recognized in profit or loss using the 'corridor' method.

iii. Past service costs are recognized immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

## C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences is recognized based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

## (24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its

subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, investment in barren areas, and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

#### (25) Treasury Stocks

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

(26) Dividends

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

(27) Revenue recognition

A. Revenue is measured at the fair value of the consideration received or receivable taking into account corporate tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The Group offers customers price discounts. The Group estimates such discounts based on historical experience. Provisions for such liabilities are recorded when the sales are recognized.

(28) Operating segments

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

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

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

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

#### Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset-equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### (2) Critical accounting estimates and assumptions

#### A. Revenue recognition

In principle, sales revenues are recognized when the earning process is completed. The Group estimates discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

#### B. Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of the Group strategy might cause material impairment on assets in the future.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Cash on hand and petty cash	\$ 59,946	\$ 85,506
Checking accounts and demand deposits	4,332,881	5,148,196
Cash equivalents		
Time deposits	6,195,181	7,091,176
Putable bonds and commercial paper	871,473	2,011,042
	<u>\$ 11,459,481</u>	<u>\$ 14,335,920</u>

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

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

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

Items	December 31, 2013	December 31, 2014
Current items:		
Financial assets at fair value through profit or loss		
Beneficiary certificate	\$ -	\$ 649,854
Non-hedging derivatives	1,352	2,394
	1,352	652,248
Valuation adjustments of financial assets at fair value through profit or loss	-	2,251
	<u>\$ 1,352</u>	<u>\$ 654,499</u>

A. The Group recognized (loss) gain on valuation of financial assets at fair value through profit or loss amounting to (\$13,714) and \$9,164 for the years ended December 31, 2013 and 2014, respectively.

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

Derivative Instruments	December 31, 2013		December 31, 2014	
	Contract Amount		Contract Amount	
	(Notional Principal)		(Notional Principal)	
	(in thousands)	Contract Period	(in thousands)	Contract Period
Current items:				
Forward exchange contracts:				
Taipei Fubon	JPY 398,260	2013.10~2014.01	-	-
CHB	JPY 3,000	2013.12~2014.02	JPY 240,470	2014.10~2015.03
Cross currency swap contract				
ANZ	USD 100,000	2012.06~2014.06	USD 100,000	2012.12~2015.12
Non-current items:				
Cross currency swap contract				
ANZ	USD 100,000	2012.12~2015.12	-	-

(a) Cross currency swap contract

The Group entered into cross currency swap contract with financial institutions to hedge cash flow risk of the floating-rate and exchange rate liability positions. However, these contracts are not accounted for under hedge accounting.



(b)Forward exchange contracts

The Group entered into forward exchange contracts to buy USD and JPY to hedge exchange rate risk of overseas selling prices. However, these forward exchange contracts are not accounted for under hedge accounting.

(3) Available-for-sale financial assets

	December 31, 2013	December 31, 2014
Current items:		
Listed (TSE and OTC) stocks	\$ 17,299,263	\$ 23,584,517
Unlisted stocks	825,839	825,839
Valuation adjustments of available-for-sale financial assets	56,063,625	63,291,785
	74,188,727	87,702,141
Less: Accumulated impairment	( 2,335,819)	( 2,298,415)
	<u>\$ 71,852,908</u>	<u>\$ 85,403,726</u>
Non-current items:		
Listed (TSE and OTC) stocks	\$ 17,283,797	\$ 11,109,919
Valuation adjustments of available-for-sale financial assets	30,645,504	28,555,002
	47,929,301	39,664,921
Less: Accumulated impairment	( 2,613,085)	( 2,613,085)
	<u>\$ 45,316,216</u>	<u>\$ 37,051,836</u>

A. In June 2014, the shareholders of the Group's investee – Nan Ya Technology Corp. have resolved to reduce 89.99% of its capital to offset deficit. The record date for capital reduction was set on June 27, 2014.

B. The Group recognized \$939,793 and \$2,800,402 as dividend income from available-for-sale financial assets for the years ended December 31, 2013 and 2014, respectively.

C. In order to increase working capital, the Company has sold 5,957 thousand shares of Nan Ya Technology Corp. in open market in December 2014. Accordingly, the Company recognized gain on disposal of \$318,528 (recorded as other gains and losses).

D.The Company participated in private placement of Nan Ya Technology Corp. in November 2011. As of December 31, 2014, the lock-up period of the equity investment in the private placement has expired. The Company has reclassified financial assets – non-current amounting to \$6,000,000 as current in accordance with the Company’s intention.

E.Available-for-sale financial assets pledged to banks are described in Note 8.

(4) Notes receivable, net

	December 31, 2013	December 31, 2014
Notes receivable	\$ 12,052,177	\$ 11,120,211
Less: allowance for bad debts	( 1,966)	( 1,966)
	<u>\$ 12,050,211</u>	<u>\$ 11,118,245</u>

(5) Accounts receivable, net

	December 31, 2013	December 31, 2014
Accounts receivable	\$ 22,051,954	\$ 19,267,769
Less: allowance for bad debts	( 295,587)	( 301,312)
	<u>\$ 21,756,367</u>	<u>\$ 18,966,457</u>

A.The credit quality of the Group’s accounts receivable that are neither past due nor impaired qualify the industrial characteristics, operating scale and profit situation of the counterparties.

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

	December 31, 2013	December 31, 2014
Up to 30 days	\$ 296,994	\$ 179,721
31 to 90 days	245,549	57,159
91 to 180 days	13,721	7,966
Over 180 days	15,610	3,530
	<u>\$ 571,874</u>	<u>\$ 248,376</u>

The above aging analysis was based on past due date.

C.Movement analysis of financial assets that were impaired is as follows:

	Year ended December 31, 2013		
	Individual provision	Group provision	Total
At January 1	\$ 143,561	\$ 142,082	\$ 285,643
Provision for impairment	9,105	6,670	15,775
Reversal of impairment	( 7,271)	-	( 7,271)
Effect of exchange rate	-	1,440	1,440
At December 31	<u>\$ 145,395</u>	<u>\$ 150,192</u>	<u>\$ 295,587</u>

Year ended December 31, 2014			
	Individual provision	Group provision	Total
At January 1	\$ 145,395	\$ 150,192	\$ 295,587
Provision for impairment	13,443	-	13,443
Reversal of impairment	( 2,816)	( 6,762)	( 9,578)
Effect of exchange rate	-	1,860	1,860
At December 31	<u>\$ 156,022</u>	<u>\$ 145,290</u>	<u>\$ 301,312</u>

D.The maximum exposure to credit risk at December 31, 2013 and 2014 was the carrying amount of each class of accounts receivable.

(6) Inventories

December 31, 2013			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 20,375,307	(\$ 74,419)	\$ 20,300,888
Materials	6,264,326	( 4,782)	6,259,544
Work in process	8,743,897	( 7,337)	8,736,560
Finished goods	18,951,694	( 554,582)	18,397,112
Other inventory	131,292	-	131,292
	<u>\$ 54,466,516</u>	<u>(\$ 641,120)</u>	<u>\$ 53,825,396</u>

  

December 31, 2014			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 16,020,535	(\$ 691,134)	\$ 15,329,401
Materials	6,731,258	( 5,171)	6,726,087
Work in process	8,234,957	( 273,279)	7,961,678
Finished goods	19,973,133	( 1,222,244)	18,750,889
Other inventory	180,039	-	180,039
	<u>\$ 51,139,922</u>	<u>(\$ 2,191,828)</u>	<u>\$ 48,948,094</u>

Expense and loss incurred on inventories for the years ended December 31, 2013 and 2014 were as follows:

	For the years ended December 31,	
	2013	2014
Cost of inventories sold	\$ 393,693,262	\$ 380,433,745
Loss (gain) on inventory valuation	( 12,745)	1,542,480
Idle capacity	1,855,931	1,649,196
Others	( 95,988)	30,244
	<u>\$ 395,440,460</u>	<u>\$ 383,655,665</u>

In 2013, the Group recognized gain from price recovery as inventories which were previously provided with allowance were subsequently sold. As the market value of petroleum related products decreased in 2014, the Group recognized loss on inventory valuation.

(7) Financial assets measured at cost

Items	December 31, 2013	December 31, 2014
Non-current items:		
Mai Liao Harbor Administration Corp.	\$ 539,260	\$ 539,260
Formosa Plastic Corp. U.S.A	818,316	818,316
Taiwan Stock Exchange Corp.	1,800	1,800
Taiwan Aerospace Corp.	10,701	10,702
Yi-Jih Development Corp.	3,000	3,000
Chinese Television System Corp.	38,419	38,419
Formosa Automobile Corp.	1,750	1,750
Formosa Development Corp.	90,010	90,010
Formosa Technologies Corp.	17,884	16,726
Formosa Plastics Marine Corp.	15,000	15,000
Formosa Ocean Group Marine Investment Corp.	856,948	856,948
Guangyuan Investment Corp.	50,000	50,000
Taiwan Leader Biotech Corp.	21,033	21,033
Toa Resin Corp., Ltd.	3,000	3,000
Shin Yun Natural Gas Corp.	3,100	3,100
Wk Technology Fund IV Ltd.	47,897	47,897
Syntronix Corporation	4,417	4,417
United Performance Materials Corp.	8,400	8,400
Association of R.O.C. in Xiamen	148	154
Nan Ya Photonics Inc.	294,583	294,583
United Biopharma, Inc.	-	635,828
Formosa Lithium Iron Oxide Corp.	53,000	53,001
	2,878,666	3,513,344
Less: Accumulated impairment	-	-
	<u>\$ 2,878,666</u>	<u>\$ 3,513,344</u>

- A. According to the Group's intention, the investment in above stocks should be classified as available-for-sale financial assets. However, as stocks are not traded in active market, and no sufficient industry information of companies similar to the Group's financial information can be obtained, the fair value of the investment in stocks cannot be measured reliably. Accordingly, the Group classified these stocks as 'financial assets measured at cost'.
- B. The Group recognized \$146,841 and \$252,578 as dividend income from investment in financial assets measured at cost for the years ended December 31, 2013 and 2014, respectively.
- C. Changs Ascending Enterprise Co., Ltd. has been listed on the Taiwan Over-The-Counter Securities Exchange from November 2013. As the shares had a quoted market price in an active market and whose fair value can be reliably measured, the Group has transferred the investment to available-for-sale financial assets – current based on purpose of holding.
- D. The Group has invested in United Biopharma, Inc. in 2013. The original investment was \$800,000 and the shareholding ratio was 24.68%. The Group then sold 5,937,500 shares at NTD \$28.34 (in dollars) per share, and gain on disposal of investment was \$4,100. As of December 31, 2014, the investment amounted to \$635,828 and shareholding ratio was 19.62%.
- E. As of December 31, 2013 and 2014, no financial assets measured at cost held by the Group were pledged to others.

(8) Investments accounted for under equity method

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Formosa Heavy Industries Corp.	\$ 7,238,692	\$ 8,019,052
Formosa Fairway Corp.	85,529	73,583
Formosa Plastics Transport Corp.	655,583	694,375
Formosa Petrochemical Corp.	59,592,253	58,478,488
Mai Liao Power Corp.	10,882,973	11,427,146
Hwa Ya Science Park Management Consulting Co., Ltd.	1,802	2,142
Chia-Nan Enterprise Corp.	260,409	262,102
Su Hua Transport Corp.	159,867	180,078
Formosa Environmental Technology Corp.	273,956	268,003
Formosa Ha Tinh Steel Corp.	20,366,082	-
Formosa Ha Tinh (Cayman) Ltd.	-	21,069,295
Formosa Synthetic Rubber Corp.	376,157	376,302
Formosa Synthetic Rubber Corp. (Hong Kong)	934,979	899,463
Formosa Resource Corp.	3,025,362	4,359,188
Formosa Group (Cayman) Corp.	361	21,941
Formosa Group Investment (Cayman) Corp.	-	384
Formosa Construction Corp.	-	14,559
Beyoung International Corp.	95,804	93,690
Kuang Yueh Co., Ltd.	560,949	844,400
	<u>\$ 104,510,758</u>	<u>\$ 107,084,191</u>

A. The investments accounted for using equity method were based on the investees' audited financial statements for the years ended December 31, 2013 and 2014.

B. The financial information of the Group's principal associates is summarized below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/(Loss)</u>	<u>% interest held</u>
<u>December 31, 2013</u>					
Formosa Heavy Industries Corp.	\$ 47,438,902	\$ 25,091,521	\$ 17,954,492	\$ 2,758,759	32.91
Formosa Petrochemical Corp.	478,970,020	238,628,819	929,987,852	26,858,263	24.90
Mai Liao Power Corp.	57,697,398	14,060,777	27,653,298	6,128,090	24.94
Formosa Ha Tinh Steel Corp.	104,450,894	6,301,098	- (	517,302)	20.49
Others	<u>26,403,131</u>	<u>5,691,406</u>	<u>11,347,549</u>	<u>756,680</u>	-
	<u>\$ 714,960,345</u>	<u>\$ 289,773,621</u>	<u>\$ 986,943,191</u>	<u>\$ 35,984,490</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/(Loss)</u>	<u>% interest held</u>
<u>December 31, 2014</u>					
Formosa Heavy Industries Corp.	\$ 54,524,727	\$ 29,839,770	\$ 20,401,984	\$ 2,102,363	32.91
Formosa Petrochemical Corp.	470,011,431	230,489,282	911,610,803	9,065,576	24.38
Mai Liao Power Corp.	62,374,654	16,566,104	25,639,082	6,534,496	24.94
Formosa Ha Tinh (Cayman) Ltd.	215,149,931	108,265,703	- (	2,508,690)	19.71
Others	<u>85,502,900</u>	<u>57,959,572</u>	<u>12,643,676</u>	<u>901,089</u>	-
	<u>\$ 887,563,643</u>	<u>\$ 443,120,431</u>	<u>\$ 970,295,545</u>	<u>\$ 16,094,834</u>	

C. The fair value of the Group's associates which have quoted market price was as follows:

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Formosa Petrochemical Corp.	<u>\$ 194,005,616</u>	<u>\$ 159,576,346</u>

D. In response to Formosa Ha Tinh Steel Corporation's reorganization, the Group has signed an agreement in September 2014 for the transfer of the Group's capital contribution of USD\$689,955 thousand in Formosa Ha Tinh Steel Corporation as investment in Formosa Ha Tinh (Cayman) Limited. After reorganization, the Group now indirectly holds Formosa Ha Tinh Steel Corporation through direct ownership in Formosa Ha Tinh (Cayman) Limited.



- E.As the Group still has significant influence over Formosa Ha Tinh Steel Corp. (as stated in D., it is indirectly held through Formosa Ha Tinh (Cayman) Limited by the Group starting from September 2014) for operating decisions, the Group accounts for its investment in Formosa Ha Tinh Steel Corp. using equity method.
- F.The Group invested in Formosa Resources Corp. in 2013 and participated in the company's cash capital increase in 2014. The Group participated in this capital increase of \$1,162,500, consisting of 116,250 thousand shares at NTD \$10 per share (in dollar). As of December 31, 2014, the Group has remitted out \$1,162,500, and the shareholding ratio was 25%.
- G.In order to improve financial structure, the Group has sold 48,907 thousand shares in Formosa Petrochemical Corp. in open market in January 2014. Among the shares sold, 17,200 thousand shares were sold to related party - Chang Gung Memorial Hospital. Therefore, the Company recognized gain on disposal of \$2,614,905 (recorded as other gains and losses), and the shareholding ratio of Formosa Petrochemical Corp. was reduced to 24.38%.
- H.As of December 31, 2013 and 2014, the Group was allowed to allocate cash dividends from its investments accounted for using equity method in the amount of \$1,999,632 and \$7,220,439, respectively, which was recognized as a deduction from investments accounted for using equity method.
- I. As of December 31, 2013 and 2014, certain equity investments were pledged to banks as described in Note 8.

(9) Property, plant and equipment

	Land and land improvements	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2013</u>						
Cost	\$ 8,775,151	\$ 41,855,308	\$ 251,336,251	\$ 14,778,873	\$ 12,987,519	\$ 329,733,102
Accumulated depreciation and impairment	( 169,047)	( 16,872,539)	( 156,858,093)	( 11,101,682)	-	( 185,001,361)
	<u>\$ 8,606,104</u>	<u>\$ 24,982,769</u>	<u>\$ 94,478,158</u>	<u>\$ 3,677,191</u>	<u>\$ 12,987,519</u>	<u>\$ 144,731,741</u>
<u>2013</u>						
Opening net book amount	\$ 8,606,104	\$ 24,982,769	\$ 94,478,158	\$ 3,677,191	\$ 12,987,519	\$ 144,731,741
Additions	22,938	7,123	213,145	93,661	13,920,650	14,257,517
Disposals of indirect subsidiary	-	( 101,580)	( 278,426)	( 8,566)	( 368,747)	( 757,319)
Disposals	( 20,550)	( 2,696)	( 68,776)	( 9,993)	-	( 102,015)
Reclassifications	-	227,205	11,172,142	66,477	( 8,131,887)	3,333,937
Depreciation charge	( 310)	( 1,437,956)	( 15,719,215)	( 953,506)	-	( 18,110,987)
Impairment loss	-	( 72,359)	( 691,398)	-	-	( 763,757)
Net exchange difference	( 41,014)	521,192	1,704,516	21,037	258,308	2,464,039
Closing net book amount	<u>\$ 8,567,168</u>	<u>\$ 24,123,698</u>	<u>\$ 90,810,146</u>	<u>\$ 2,886,301</u>	<u>\$ 18,665,843</u>	<u>\$ 145,053,156</u>
<u>At December 31, 2013</u>						
Cost	\$ 8,737,275	\$ 42,640,707	\$ 263,889,507	\$ 14,487,783	\$ 18,665,843	\$ 348,421,115
Accumulated depreciation	( 170,107)	( 18,517,009)	( 173,079,361)	( 11,601,482)	-	( 203,367,959)
	<u>\$ 8,567,168</u>	<u>\$ 24,123,698</u>	<u>\$ 90,810,146</u>	<u>\$ 2,886,301</u>	<u>\$ 18,665,843</u>	<u>\$ 145,053,156</u>

	Land and land improvements	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2014</u>						
Cost	\$ 8,737,275	\$ 42,640,707	\$ 263,889,507	\$ 14,487,783	\$ 18,665,843	\$ 348,421,115
Accumulated depreciation and impairment	( 170,107)	( 18,517,009)	( 173,079,361)	( 11,601,482)	-	( 203,367,959)
	<u>\$ 8,567,168</u>	<u>\$ 24,123,698</u>	<u>\$ 90,810,146</u>	<u>\$ 2,886,301</u>	<u>\$ 18,665,843</u>	<u>\$ 145,053,156</u>
<u>2014</u>						
Opening net book amount	\$ 8,567,168	\$ 24,123,698	\$ 90,810,146	\$ 2,886,301	\$ 18,665,843	\$ 145,053,156
Additions	135,149	19,830	667,904	146,028	12,896,839	13,865,750
Disposals	( 88,792)	( 5,166)	( 120,930)	( 3,956)	-	( 218,844)
Reclassifications	14,900	215,605	5,358,679	69,796	( 5,684,140)	( 25,160)
Depreciation charge	( 318)	( 1,461,952)	( 14,931,535)	( 688,983)	-	( 17,082,788)
Net exchange difference	165	632,206	1,766,272	15,587	969,120	3,383,350
Closing net book amount	<u>\$ 8,628,272</u>	<u>\$ 23,524,221</u>	<u>\$ 83,550,536</u>	<u>\$ 2,424,773</u>	<u>\$ 26,847,662</u>	<u>\$ 144,975,464</u>
<u>At December 31, 2014</u>						
Cost	\$ 8,799,458	\$ 43,700,939	\$ 272,058,606	\$ 14,539,475	\$ 26,847,662	\$ 365,946,140
Accumulated depreciation and impairment	( 171,186)	( 20,176,718)	( 188,508,070)	( 12,114,702)	-	( 220,970,676)
	<u>\$ 8,628,272</u>	<u>\$ 23,524,221</u>	<u>\$ 83,550,536</u>	<u>\$ 2,424,773</u>	<u>\$ 26,847,662</u>	<u>\$ 144,975,464</u>

A.The Group recognized impairment loss for the years ended December 31, 2013 and 2014. Details of such loss are as follows:

	For the years ended December 31,			
	2013		2014	
	Recognized in other		Recognized in other	
	Recognized in profit or loss	comprehensive income	Recognized in profit or loss	comprehensive income
Impairment loss — Buildings	\$ 72,359	\$ -	\$ -	\$ -
Impairment loss — machinery	691,398	-	-	-
	<u>\$ 763,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B.The impairment loss reported by operating segments is as follows:

	For the years ended December 31,			
	2013		2014	
	Recognized in other		Recognized in other	
	Recognized in profit or loss	comprehensive income	Recognized in profit or loss	comprehensive income
3rd Petrochemical Div	\$ 763,757	\$ -	\$ -	\$ -

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

	For the years ended December 31,	
	2013	2014
Amount capitalized	\$ 128,137	\$ 266,606
Interest rate	1.24%~2.50%	1.23%~3.92%

D.Under regulations, land may only be owned by individuals. Thus, the Group has already obtained ownership of the agricultural land for future plant expansion which was acquired by the Group under the name of a third party, and has pledged the full amount to the Company. As of December 31, 2013 and 2014, the pledged amount was \$546,685 and \$624,720, respectively.

E.Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(10) Short-term loans and Short-term notes and bills payable

Type of loans	December 31, 2013	Interest rate range	Collateral
Mortgage loans	\$ 2,366,569	1.56%~2.30%	Note 8
Unsecured loans	25,630,114	0.86%~5.88%	None
Total short-term loans	<u>\$ 27,996,683</u>		
Short-term notes and bills payable	\$ 1,350,000	0.67%	None
Short-term notes and bills payable discount	( 152)		
Net short-term notes and bills payable	<u>\$ 1,349,848</u>		
Type of loans	December 31, 2014	Interest rate range	Collateral
Mortgage loans	\$ 2,471,686	1.70%~2.63%	Note 8
Unsecured loans	26,715,513	0.98%~5.88%	None
Total short-term loans	<u>\$ 29,187,199</u>		
Short-term notes and bills payable	\$ 2,350,000	0.98%~1.00%	None
Short-term notes and bills payable discount	( 476)		
Net short-term notes and bills payable	<u>\$ 2,349,524</u>		

(11) Financial liabilities at fair value through profit or loss-current

Items	December 31, 2013	December 31, 2014
Current items:		
Non-hedging derivatives	<u>\$ 704</u>	<u>\$ 5,844</u>

A. The Group recognized gain on valuation of financial liabilities at fair value through profit or (loss) amounting to \$63,865 and (\$5,379) for the years ended December 31, 2013 and 2014, respectively.

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

Derivative Financial Liabilities	December 31, 2013			December 31, 2014		
	Contract Amount			Contract Amount		
	(Notional Principal)			(Notional Principal)		
	(In thousand dollars)	Contract Period		(In thousand dollars)	Contract Period	
Current items:						
Forward foreign exchange contracts						
CHB	USD 3,000	2013.11~2014.01		USD 8,000	2014.11~2015.02	

(a)Interest rate swap

The Group entered into interest rate swap contracts with financial institutions to hedge cash flow risk of the floating-rate liability positions. However, these interest rate swap contracts are not accounted for under hedge accounting.

(b)Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to buy USD and JPY to hedge exchange rate risk of selling prices. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(12) Bonds payable

	December 31, 2013	December 31, 2014
Bonds payable		
Domestic unsecured nonconvertible corporate bonds	\$ 57,800,000	\$ 66,000,000
Less: current portion	( 7,800,000)	( 10,000,000)
	<u>\$ 50,000,000</u>	<u>\$ 56,000,000</u>

The terms of domestic unsecured nonconvertible corporate bonds were as follows:

				Issued			
	Issuance	Maturity	Yield	principal			
Description	date	date	rate (%)	amount	December 31, 2013	December 31, 2014	Note
<u>2009</u>							
First issued domestic unsecured nonconvertible corporate bonds	2009.8.28	2013.8.28~2014.8.28	1.78	\$ 5,600,000	\$ 2,800,000	\$	- Serial bonds, to be settled 50%, 50%
<u>2010</u>							
First issued domestic unsecured nonconvertible corporate bonds	2010.6.29	2014.6.29~2015.6.29	1.56	6,000,000	6,000,000	3,000,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2010.7.29	2014.7.29~2015.7.29	1.52	4,000,000	4,000,000	2,000,000	Serial bonds, to be settled 50%, 50%
<u>2011</u>							
First issued domestic unsecured nonconvertible corporate bonds	2011.06.10	2015.6.10~2016.6.10	1.44	6,000,000	6,000,000	6,000,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2011.10.31	2015.10.31~2016.10.31	1.38	4,000,000	4,000,000	4,000,000	Serial bonds, to be settled 50%, 50%

	Issuance	Maturity	Yield	Issued			
Description	date	date	rate (%)	principal	December 31, 2013	December 31, 2014	Note
Description	date	date	rate (%)	amount			
2012							
First issued domestic unsecured nonconvertible corporate bonds - A	2012.7.26	2016.7.26~2017.7.26	1.29	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2012.7.26	2018.7.26~2019.7.26	1.40	3,000,000	3,000,000	3,000,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - A	2012.12.7	2016.12.7~2017.12.7	1.23	3,000,000	3,000,000	3,000,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - B	2012.12.7	2018.12.7~2019.12.7	1.36	3,900,000	3,900,000	3,900,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds - C	2012.12.7	2021.12.7~2022.12.7	1.51	4,100,000	4,100,000	4,100,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - A	2013.1.22	2019.1.22~2020.1.22	1.34	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Third issued domestic unsecured nonconvertible corporate bonds - B	2013.1.22	2022.1.22~2023.1.22	1.50	2,200,000	2,200,000	2,200,000	Serial bonds, to be settled 50%, 50%



Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2013	December 31, 2014	Note
<u>2013</u>							
First issued domestic unsecured nonconvertible corporate bonds - A	2013.7.8	2017.7.8~ 2018.7.8	1.24	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - B	2013.7.8	2019.7.8~ 2020.7.8	1.38	2,700,000	2,700,000	2,700,000	Serial bonds, to be settled 50%, 50%
First issued domestic unsecured nonconvertible corporate bonds - C	2013.7.8	2022.7.8~ 2023.7.8	1.52	2,800,000	2,800,000	2,800,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2014.1.17	2025.1.17 ~ 2026.1.17	2.03	10,000,000	-	10,000,000	Serial bonds, to be settled 50%, 50%
<u>2014</u>							
First issued domestic unsecured nonconvertible corporate bonds	2014.7.4	2023.7.4 ~ 2024.7.4	1.81	1,400,000	-	1,400,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2014.7.4	2028.7.4 ~ 2029.7.4	2.03	4,600,000	-	4,600,000	Serial bonds, to be settled 50%, 50%
					57,800,000	66,000,000	
Less: Current portion of bonds payable					( 7,800,000)	( 10,000,000)	
					<u>\$ 50,000,000</u>	<u>\$ 56,000,000</u>	

(13) Long-term borrowings

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Long-term bank loans				
Unsecured loans				
Japanese Mitsubishi Bank	Mar. 29, 2013 ~ Mar. 29, 2016, payable at maturity date; interest payable monthly	1.07%~1.58%	None	\$ 4,000,000
ANZ Bank	Jun. 27, 2012 ~ Jun. 27, 2014, payable at maturity date; interest payable quarterly	1.21%~1.28%	"	2,996,000
ANZ Bank	Dec. 28, 2012 ~ Dec. 28, 2015, payable at maturity date; interest payable quarterly	1.21%~1.28%	"	2,905,000
Taiwan Bank	Aug. 10, 2012 ~ May. 29, 2015, payable at maturity date; interest payable monthly	1.44%~1.48%	"	1,500,000
Taiwan Bank	Oct. 17, 2013 ~ Jun. 5, 2016, payable at maturity date; interest payable monthly	1.30%	"	1,500,000
China Development Industrial Bank	Sep. 17, 2013 ~ Jan. 22, 2016, payable at maturity date; interest payable monthly	1.31%~1.45%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Chang Hwa Bank	Aug. 2, 2013 ~ Aug. 2, 2016, payable at maturity date; interest payable monthly	1.48%~1.59%	None	\$ 1,300,000
Taichung Bank	Sep. 17, 2012 ~ Sep. 17, 2015, payable at maturity date; interest payable monthly	1.49%~1.50%	"	1,000,000
E. Sun Bank	Jun. 27, 2013 ~ Jun. 27, 2016, payable at maturity date; interest payable monthly	1.49%~1.50%	"	1,000,000
Mega International Commercial Bank	Aug. 2, 2013 ~ Jun. 20, 2015, payable at maturity date; interest payable monthly	1.36%	"	1,000,000
Far Eastern International Bank	Feb. 7, 2012 ~ Feb. 7, 2015, payable at maturity date; interest payable monthly	1.25%~1.27%	"	950,000
Union Bank of Taiwan	Nov. 7, 2012 ~ Nov. 7, 2014, payable at maturity date; interest payable monthly	1.48%~1.50%	"	950,000
Jih Sun Bank	Jul. 19, 2013 ~ Jul. 4, 2015, payable at maturity date; interest payable monthly	1.25%~1.35%	"	700,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Taipei Fubon Bank	Dec. 26, 2013 ~ Jul. 21, 2015, payable at maturity date; interest payable monthly	1.40%~1.52%	None	\$ 700,000
Taiwan Bank	Aug. 14, 2013 ~ Jun. 5, 2016, payable at maturity date; interest payable monthly	1.30%	"	500,000
Industrial Bank of Taiwan	Dec. 27, 2013 ~ Jun. 27, 2016, payable at maturity date; interest payable monthly	1.47%	"	400,000
Export-Import Bank of the ROC	Jul. 27, 2012 ~ Jul. 27, 2017, principal payable semi- annually	1.17%~1.18%	"	400,000
Sumitomo Mitsui Banking Corporation	Aug. 14, 2013 ~ Aug. 14, 2015, payable at maturity date; interest payable monthly	1.20%	"	300,000
Yuanta Bank	May. 17, 2013 ~ Jan. 30, 2016, payable at maturity date; interest payable monthly	1.25%~1.28%	"	200,000
China Development Industrial Bank	Aug. 30, 2013 ~ Jan. 22, 2016, payable at maturity date; interest payable monthly	1.34%~1.40%	"	200,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Industrial Bank of Taiwan	Dec. 27, 2013 ~ Jun. 27, 2016, payable at maturity date; interest payable monthly	1.37%	None	\$ 100,000
Mega International Commercial Bank	Jan. 2011 ~ Jan. 2015, principal payable semi-annually	0.86%~0.93%	"	2,306,150
Mizuho Corporate Bank	May. 2010 ~ Oct. 2014, principal payable semi-annually	0.71%~0.76%	"	116,472
Mizuho Corporate Bank	May. 2010 ~ May. 2014, principal payable semi-annually	0.71%~0.76%	"	53,244
Mega International Commercial Bank	Nov. 19, 2015 ~ Nov. 19, 2017, principal payable semi-annually	1.68%	"	2,845,250
Taiwan Cooperative Bank	Nov. 19, 2016 ~ Nov. 19, 2018, principal payable semi-annually	1.85%	"	898,500
Taiwan Cooperative Bank	Dec. 9, 2016 ~ Dec. 9, 2018, principal payable semi-annually	3.72%	"	933,343
Mega International Commercial Bank	Aug. 18, 2009 ~ Aug. 18, 2016, principal payable semi-annually	2.10%~2.32%	"	1,317,800

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Mega International Commercial Bank	Mar. 11, 2010 ~ Mar. 11, 2017, principal payable semi-annually	1.71%~1.76%	None	\$ 2,535,611
Hua Nan Bank	Jan. 15, 2013 ~ Jan. 15, 2015, repay the full amount at maturity	1.28%	"	1,500,000
Mega International Commercial Bank	Jun. 21, 2013 ~ Jun. 21, 2016, repay the full amount at maturity	1.32%	"	2,000,000
First Commercial Bank	Sep. 16, 2013 ~ Sep. 16, 2016, repay the full amount at maturity	1.27%	"	1,500,000
Taiwan Cooperative Bank	Sep. 26, 2013 ~ Sep. 26, 2015, repay the full amount at maturity	1.28%	"	1,300,000
Far Eastern International Bank	Apr. 22, 2013 ~ Apr. 22, 2016, repay the full amount at maturity	1.35%	"	1,200,000
Bangkok Bank	Dec. 11, 2013 ~ Dec. 11, 2015, repay the full amount at maturity	1.30%	"	200,000
HSBC	Dec. 11, 2013 ~ Dec. 11, 2015, repay the full amount at maturity	1.25%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Industrial Bank of Taiwan	Aug. 20, 2013 ~ Aug. 20, 2016, repay the full amount at maturity	1.32%~1.33%	None	\$ 500,000
China Trust Bank	Sep. 25, 2013 ~ Sep. 25, 2015, repay the full amount at maturity	1.33%	"	100,000
Secured loans				
Mega International Commercial Bank	Aug. 2006 ~ Jul. 2017, principal payable semi-annually	1.56%~1.58%	Machinery and equipment acquired for the Sixth naphtha cracker project	6,035,472
Taiwan Cooperative Bank	Aug. 2, 2013 ~ Aug. 2, 2016, payable at maturity date; interest payable monthly	1.43%~1.45%	Stocks	4,300,000
Taishin Bank	Aug. 1, 2011 ~ Aug. 1, 2014, payable at maturity date; interest payable monthly	1.56%	Stocks	3,500,000
Taipei Fubon Bank	Dec. 26, 2013 ~ Jul. 21, 2015, payable at maturity date; interest payable monthly	1.45%~1.52%	Land and factories	3,300,000
Chang Hwa Bank	Aug. 1, 2012 ~ Aug. 1, 2015, payable at maturity date; interest payable monthly	1.59%	Land and factories	2,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Taiwan Cooperative Bank	Aug. 1, 2011 ~ Aug. 1, 2014, payable at maturity date; interest payable monthly	1.43%~1.45%	Stocks	\$ 2,200,000
Chang Hwa Bank	Aug. 14, 2013 ~ Aug. 14, 2016, payable at maturity date; interest payable monthly	1.59%	Land	400,000
Taishin Bank	Aug. 14, 2013 ~ Aug. 14, 2016, payable at maturity date; interest payable monthly	1.56%	Stocks	300,000
Mega International Commercial Bank	Jan. 2004 ~ Aug. 2014, principal payable semi- annually	1.51%~1.53%	Equipment	127,000
Hua Nan Bank	Apr. 26, 2010 ~ Aug. 11, 2017, principal payable annually	SIBOR 6 months + 1.6%	Machinery and equipment acquired for the Sixth naphtha cracker project	380,870
Taiwan Business Bank	Apr. 15, 2006 ~ Jan. 15, 2021, principal payable quarterly	1.74%	Land	5,945
Taiwan Business Bank	Jan. 18, 2007 ~ Jan. 15, 2021, principal payable monthly	1.82%	Factories and buildings	51,306



Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Taiwan Business Bank	Apr. 15, 2006 ~ Jan. 15, 2021, principal payable quarterly	1.56%	Land	\$ 48,140
Taiwan Business Bank	Apr. 15, 2006 ~ Jan. 15, 2016, principal payable quarterly	1.56%	Land	19,260
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd.	Jul. 2005 ~ Dec. 2018, interest payable monthly; principal payable annually	1.07%~1.18%	Equipment	147,992
				<hr/> 68,223,355
Less: Current portion of long-term bank loans				( 14,017,368)
Current portion of long-term notes payable				( <u>127,000</u> )
				<u>\$ 54,078,987</u>

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2014
Long-term bank loans				
Unsecured loans				
Japanese Mitsubishi Bank	Mar. 29, 2013 ~ Mar. 29, 2016, payable at maturity date; interest payable monthly	1.09%~1.15%	None	\$ 4,000,000
ANZ Bank	Dec. 28, 2012 ~ Dec. 28, 2015, payable at maturity date; interest payable quarterly.	1.20%~1.22%	"	2,905,000
Taiwan Bank	Aug. 10, 2012 ~ May. 29, 2015, payable at maturity date; interest payable monthly	1.44%~1.46%	"	1,500,000
Taiwan Bank	Aug. 7, 2014 ~ Jun. 5, 2016, payable at maturity date; interest payable monthly	1.30%~1.31%	"	500,000
China Development Industrial Bank	Sep. 17, 2013 ~ Jan. 22, 2016, payable at maturity date; interest payable monthly	1.41%~1.46%	"	1,500,000
China Development Industrial Bank	Aug. 30, 2013 ~ Jan. 22, 2016, payable at maturity date; interest payable monthly	1.34%~1.41%	"	200,000
Taichung Bank	Sep. 17, 2012 ~ Sep. 17, 2015, payable at maturity date; interest payable monthly	1.46%~1.49%	"	1,000,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2014
E. Sun Bank	Jun. 27, 2013 ~ Jun. 27, 2016, payable at maturity date; interest payable monthly	1.49%	None	\$ 400,000
Mega International Commercial Bank	Aug. 2, 2013 ~ Jun. 20, 2015, payable at maturity date; interest payable monthly	1.36%~1.40%	"	1,000,000
Far Eastern International Bank	Feb. 7, 2012 ~ Feb. 7, 2015, payable at maturity date; interest payable monthly	1.27%~1.32%	"	950,000
Union Bank of Taiwan	Nov. 7, 2012 ~ Oct. 7, 2016, payable at maturity date; interest payable monthly	1.26%~1.48%	"	950,000
Jih Sun Bank	Jul. 19, 2013 ~ Oct. 6, 2016, payable at maturity date; interest payable monthly	1.35%	"	200,000
Taipei Fubon Bank	Mar. 26, 2014 ~ Mar. 26, 2016, payable at maturity date; interest payable monthly	1.40%~1.43%	"	700,000
Taiwan Bank	Jul. 14, 2014 ~ Jun. 5, 2016, payable at maturity date; interest payable monthly	1.30%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2014
Industrial Bank of Taiwan	Dec. 27, 2013 ~ Jun. 27, 2016, payable at maturity date; interest payable monthly	1.30%~1.47%	None	\$ 400,000
Industrial Bank of Taiwan	Dec. 27, 2013 ~ Jun. 27, 2016, payable at maturity date; interest payable monthly	1.37%	"	100,000
Export-Import Bank of the ROC	Jul. 27, 2012 ~ Jul. 27, 2017, principal payable semi-annually.	1.14%~1.20%	"	342,857
Sumitomo Mitsui Banking Corporation	Aug. 14, 2013 ~ Aug. 14, 2015, payable at maturity date; interest payable monthly	1.20%~1.23%	"	300,000
Sumitomo Mitsui Banking Corporation	Aug. 27, 2014 ~ Aug. 27, 2016, payable at maturity date; interest payable monthly	1.23%	"	1,000,000
Yuanta Commercial Bank	May. 17, 2013 ~ Jan. 30, 2016, payable at maturity date; interest payable monthly	1.28%~1.30%	"	200,000
Mega International Commercial Bank	Jan. 31, 2011 ~ Jan. 29, 2016, principal payable semi-annually	0.86%~1.30%	"	1,465,372
Mega International Commercial Bank	Nov. 19, 2012 ~ Nov.17, 2017, principal payable semi-annually	1.53%~2.25%	"	3,013,210

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2014
Taiwan Cooperative Bank	Dec. 10, 2013 ~ Dec. 7, 2018, principal payable semi-annually	3.62%~4.36%	None	\$ 984,870
Taiwan Cooperative Bank	Dec. 10, 2013 ~ Dec. 7, 2018, principal payable semi-annually	1.85%~2.33%	"	2,188,542
Taiwan Bank	Oct. 22, 2014 ~ Oct. 21, 2019, principal payable semi-annually after Oct. 22, 2017, interest payable quarterly	4.99%	"	622,024
Taiwan Bank	Oct. 24, 2014 ~ Oct. 21, 2019, principal payable semi-annually after Oct. 22, 2017, interest payable quarterly	1.80%	"	1,903,080
Mega International Commercial Bank	Mar. 11, 2010 ~ Mar. 11, 2015, principal payable semi-annually	1.69%	"	1,930,180
Sumitomo Mitsui Banking Corporation	Oct. 16, 2014 ~ Jul. 22, 2019, one hundred million principal payable(domestic) semi-annually after Mar. 16, 2017; one hundred ten million payable (overseas) semi-annually after Mar. 16, 2017 with two years extension	1.78%	"	669,250

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2014
Hua Nan Bank	Jan. 15, 2014 ~ Jan. 15, 2016, repay the full amount at maturity	1.28%	None	\$ 1,500,000
Mega International Commercial Bank	Jul. 21, 2014 ~ Jul. 21, 2016, repay the full amount at maturity	1.40%	"	1,500,000
First Commercial Bank	Sep. 16, 2013 ~ Sep. 16, 2016, repay the full amount at maturity	1.27%	"	1,500,000
Far Eastern International Bank	Apr. 22, 2013 ~ Apr. 22, 2016, repay the full amount at maturity	1.33%	"	1,200,000
Bangkok Bank	Dec. 9, 2014 ~ Dec. 9, 2016, repay the full amount at maturity	1.32%	"	200,000
HSBC	Dec. 23, 2014 ~ Dec. 23, 2016, repay the full amount at maturity	1.23%	"	1,500,000
Industrial Bank of Taiwan	Aug. 20, 2013 ~ Aug. 20, 2016, repay the full amount at maturity	1.31%~1.32%	"	500,000
China Trust Bank	Sep. 25, 2013 ~ Sep. 25, 2015, repay the full amount at maturity	1.34%	"	500,000
China Development Industrial Bank	Apr. 21, 2014 ~ Apr. 21, 2016, repay the full amount at maturity	1.33%	"	500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2014
Secured loans				
Mega International Commercial Bank	Apr. 21, 2014 ~ Apr. 21, 2021, principal payable semi-annually after Apr. 21, 2017; interest payable monthly	1.601%~1.65%	Land	\$ 12,100,000
Mega International Commercial Bank	Aug. 31, 2006 ~ Aug. 31, 2016, principal payable semi-annually	1.53%~1.56%	Machinery and equipment acquired for the Sixth naphtha cracker project	4,047,204
Taipei Fubon Bank	Mar. 26, 2014 ~ Mar. 26, 2016, payable at maturity date; interest payable monthly	1.42%~1.43%	Land and factories	3,300,000
Hua Nan Bank	Apr. 26, 2010 ~ Jun. 11, 2019, repay the principle in equal amount annually	SIBOR 6 months 1.6%	Endorsement and guarantees of Formosa Taffeta Co., Ltd.	390,685
Taiwan Business Bank	Apr. 15, 2006 ~ Jan. 15, 2021, principal payable in equal quarterly amortizations	1.74%	Land	5,125
Taiwan Business Bank	Jan. 18, 2007 ~ Dec. 18, 2021, principal payable in equal monthly amortizations	1.82%	Factories and buildings	45,299

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2014
Taiwan Business Bank	Apr. 15, 2006 ~ Jan. 15, 2021, principal payable quarterly	1.56%	Land	\$ 41,500
Taiwan Business Bank	Apr. 15, 2006 ~ Jan. 15, 2016, principal payable quarterly	1.56%	Land	10,700
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd.	Jul. 2005 ~ Dec. 2018, interest payable monthly; principal payable	1.06%~1.07%	Equipment	110,240
				61,375,138
Less: Current portion of long-term				( 13,389,560)
				<u>\$ 47,985,578</u>

A. The collaterals for long-term bank loans are described in Note 8.

B. In order to finance the construction of the “Sixth Naphtha four expansion plan” (the “plan”) and the related factories, the Group obtained a syndicated loan with Bank of Communications as the lead bank on December 30, 2004. Due to the expansion of the plan, the Group re-entered into the long-term loan agreement with the banks on May 15, 2006. The details were as follows:

(a) Total credit line: \$16,636,000

(b) Interest rate: 90-day secondary market in Taiwan issued commercial paper rate plus the average price of 0.60% interest per annum

(c) Period: 7~10 years

(d) Collateral: Property, plant and equipment acquired from the proceeds of the loan were pledged as collateral.

As of December 31, 2014, \$1,724,000 of loans had not been disbursed.

The Group is required to meet certain financial covenants, namely liability ratio (liabilities/net equity) of less than 150% and current ratio (current assets/current liabilities) of above 120% at the end of each year. In the event the Group fails to meet the required covenants, a capital increase has to be completed by June of the following year.



C. The Group has signed contracts for syndicated loans with Mega Bank and others on November 14, 2013 to finance plant construction for Formosa Ha Tinh Steel Corp. Information is as follows:

(a) Total credit line: \$12,100,000

(b) Interest rate: Based on the agreement with the banks

(c) Period: 7 years

(d) Collateral: Land in Six Naphtha Cracking Plant, Mailiao Township, Yunlin County

The Group is required to meet certain financial covenants, namely liability ratio (liabilities/net equity) of less than 150% and current ratio (current assets/current liabilities) of above 100% at the end of each year. In the event the Group fails to meet the required covenants, a capital increase has to be completed by June of the following year.

D. Formosa Industries Corp.'s long-term borrowing from banks was guaranteed by Nan Ya Plastics Corp.'s drawn notes of \$4,485,591.

#### (14) Pensions

A.(a) The Company and its domestic subsidiaries has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(b) The amounts recognized in the balance sheet (recorded as other non-current liabilities) are determined as follows:

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Present value of funded obligations	\$ 11,079,365	\$ 11,180,064
Fair value of plan assets	( 420,777)	( 298,305)
	10,658,588	10,881,759
Unrecognised actuarial gains	( 206,500)	( 518,192)
Net liability in the balance sheet	<u>\$ 10,452,088</u>	<u>\$ 10,363,567</u>

(c) Changes in present value of funded obligations are as follows:

	2013	2014
Present value of funded obligations		
At January 1	\$ 11,141,936	\$ 11,079,365
Current service cost	165,088	154,178
Interest expense	182,415	208,956
Actuarial profit	53,025	315,252
Benefits paid	( 463,667)	( 579,066)
Obligation from business combination	568	1,379
At December 31	<u>\$ 11,079,365</u>	<u>\$ 11,180,064</u>

(d) Changes in fair value of plan assets are as follows:

	2013	2014
Fair value of plan assets		
At January 1	\$ 496,920	\$ 420,777
Expected return on plan assets	7,445	6,291
Actuarial profit (loss)	( 1,465)	3,403
Employer contributions	82,501	83,643
Benefits paid	( 164,624)	( 215,809)
At December 31	<u>\$ 420,777</u>	<u>\$ 298,305</u>

(e) Amounts of expenses recognized in statements of comprehensive income are as follows:

	For the years ended December 31,	
	2013	2014
Current service cost	\$ 165,088	\$ 154,178
Interest cost	182,415	208,956
Expected return on plan assets	( 5,980)	( 6,359)
Actuarial profit (loss)	( 1,465)	187
Amortization of actuarial profit (loss)	826	40
Current service cost	<u>\$ 340,884</u>	<u>\$ 357,002</u>

Details of cost and expenses recognized in statement of comprehensive income are as follows:

	For the years ended December 31,	
	2013	2014
Cost of sales	\$ 239,732	\$ 254,237
Selling expenses	23,583	23,011
General and administrative expenses	77,569	79,754
	<u>\$ 340,884</u>	<u>\$ 357,002</u>

(f)The Bank of Taiwan was commissioned to manage the Fund of the Company and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The composition of fair value of plan assets as of December 31, 2013 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

(g)The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2013	2014
Discount rate	1.65%	1.90%~2.00%
Future salary increases	0.50%~2.50%	1.00%~2.50%
Expected return on plan assets	1.65%	1.65%~2.00%

Future mortality rate was estimated based on the statistics and experiences published in Taiwan Annuity Table.

(h)Historical information of experience adjustments was as follows:

	For the years ended December 31,		
	2012	2013	2014
Present value of defined benefit obligation	\$ 11,141,936	\$ 11,079,365	\$ 11,180,064
Fair value of plan assets	( 496,920)	( 420,777)	( 298,305)
Deficit in the plan	<u>\$ 10,645,016</u>	<u>\$ 10,658,588</u>	<u>\$ 10,881,759</u>
Experience adjustments on plan liabilities	<u>(\$ 149,231)</u>	<u>(\$ 53,025)</u>	<u>(\$ 315,252)</u>
Experience adjustments on plan assets	<u>(\$ 3,604)</u>	<u>(\$ 1,465)</u>	<u>(\$ 3,402)</u>

- i. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with Republic of China (R.O.C.) nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- ii. The Company’s mainland China subsidiaries included in the consolidated financial statements have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2013 and 2014 was both 12%. Other than the monthly contributions, the Group has no further obligations.
- iii. The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2013 and 2014 were \$310,888 and \$327,338, respectively.

(15) Share capital

A. As of December 31, 2014, the authorised and paid-in capital was \$58,611,863, and total issued stocks was 5,861,186 thousand shares with a par value of NTD \$10 (in dollar) per share. All proceeds from shares issued have been collected.

B. Changes in the treasury stocks for the years ended December 31, 2013 and 2014 are set forth below:

Reason for reacquisition	Subsidiary	For the year ended December 31, 2013			
		Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries	Formosa Taffeta Co.	10,892,826	326,784	-	11,219,610
reclassified from long-term investment to treasury stock	Formosa Advanced Technologies Co.	6,943,488	208,304	( 7,151,792)	-
		<u>17,836,314</u>	<u>535,088</u>	<u>( 7,151,792)</u>	<u>11,219,610</u>

Reason for reacquisition	Subsidiary	For the year ended December 31, 2014			
		Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries	Formosa Taffeta Co.	11,219,610	-	-	11,219,610
reclassified from long-term investment to treasury stock	Formosa Advanced Technologies Co.	-	5,582,000	-	5,582,000
		<u>11,219,610</u>	<u>5,582,000</u>	<u>-</u>	<u>16,801,610</u>

C.The market value of treasury stocks was NTD \$84 and NTD \$66.9 (in dollars) per share at December 31, 2013 and 2014, respectively.

D.The above treasury stocks of the parent company purchased by subsidiaries with idle funds are for investing purpose.

(16) Capital surplus

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

For the year ended December 31, 2013						
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2013	\$2,710,554	\$5,514,032	\$ 95,051	\$ -	\$ -	\$204,224
Disposal of the parent company's stock by subsidiaries	-	-	21,154	-	-	-
Dividends allocated to subsidiaries	-	-	3,757	-	-	-
Effect from net stockholding of associates recognised under the equity method	-	-	-	80,035	-	-
Difference between acquisition or disposal price and book value of subsidiaries' stockholding	-	-	-	-	3,771	-
At December 31, 2013	<u>\$2,710,554</u>	<u>\$5,514,032</u>	<u>\$ 119,962</u>	<u>\$ 80,035</u>	<u>\$ 3,771</u>	<u>\$204,224</u>

For the year ended December 31, 2014						
	Share premium	Conversion premium of corporate bonds	Treasury share transactions	Effect from net stockholding of associates recognised using equity method	Difference between stock price and book value for disposal of subsidiaries	Others
At January 1, 2014	\$2,710,554	\$5,514,032	\$ 119,962	\$ 80,035	\$ 3,771	\$204,224
Dividends allocated to subsidiaries	-	-	11,744	-	-	-
Effect from disposal of net stockholding of associates recognised under the equity method	-	-	-	18,995	-	-
Disposal of investment accounted for using equity method	-	-	- (	432)	-	-
Difference between acquisition or disposal price and book value of subsidiaries' stockholding	-	-	-	-	5,676	-
At December 31, 2014	<u>\$2,710,554</u>	<u>\$5,514,032</u>	<u>\$ 131,706</u>	<u>\$ 98,598</u>	<u>\$ 9,447</u>	<u>\$204,224</u>

(17) Retained earnings

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

The special reserve includes:

(a) Reserve for a special purpose;

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

(c) Net unrealized gains from financial instruments transactions. The special reserve for unrealized gains from financial instruments is reduced when the accumulated value of the unrealized gains also decreases, not to exceed of what had been reserved as not unrealized gains; and

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

The Company shall distribute remainder of earnings, after setting aside interest on capital, legal reserve and 0.1%~1% as employees' bonus, as dividends to stockholders. The amount distributed is recognized as expenses of the current year.

B. The dividends policy of the Company was as below: The Company is in the mature stage and the profit is stable. The Company distributes dividends in cash, in shares by capitalized retained earnings, and by capitalized capital surplus. At least 50% of the distributable earnings after deducting the legal reserve and special reserves shall be distributed to stockholders. The Company would prefer to distribute cash dividends. The ratio of stock dividends based on capitalized retained earnings or capital surplus shall not exceed 50% of the total dividends.

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

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

E. The appropriations of 2012 and 2013 earnings had been resolved at the stockholders' meeting

on June 17, 2013 and June 16, 2014, respectively. Details are as follows:

For the years ended December 31,				
2012		Dividends per share (in dollars)	2013	
	Amount		Amount	Dividends per share (in dollars)
Legal reserve	\$ 709,426		\$ 2,486,364	
Special reserve	-		2,551,455	
Cash dividends	3,698,806	\$ 0.65	14,652,966	\$ 2.50
Stock dividends	1,707,142	0.30	-	-
	<u>\$ 6,115,374</u>		<u>\$ 19,690,785</u>	

Note: The employees' bonus for 2012 and 2013 which were resolved at the stockholders' meetings were \$9,716 and \$51,345, respectively.

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

F.The Company estimated employees' bonus of \$51,345 and \$39,710 for 2013 and 2014, respectively, based on the percentage stated in the Articles of Incorporation, taking into consideration net profit for 2013 and 2014, balances of legal reserve, special reserve, and shareholder dividends. Because the Company allocates employees' bonus in cash, the amount shall be recognized as operating cost and expense of the current period. However, if there is difference between the actual allocation amount of employees' bonus resolved at the stockholders' meeting in the next year and the accrued amount, the difference is recognized in the next year's profit and loss.

G.The resolution of the appropriations of the 2014 net income was approved in the Board of Directors meeting on March 20, 2015 as follows:

For the year ended December 31, 2014		
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 1,053,029	
Cash dividends	7,033,424	\$ 1.20
	<u>\$ 8,086,453</u>	

Note: The employee bonus resolved by the Board of Directors during its meeting was \$24,257 for 2014.



(18) Other equity items

	<u>Hedging reserve</u>	<u>Available-for-sale investment</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2013	(\$ 12,791)	\$ 60,584,440	(\$ 1,475,476)	\$ 59,096,173
Unrealised gain (loss) on available-for-sale investments:				-
–Group	-	13,467,350	-	13,467,350
–Associates	-	2,423,629	-	2,423,629
Cash flow hedges:				
–Associates	14,583	-	-	14,583
Currency translation differences:				
–Group	-	-	2,355,976	2,355,976
–Tax of Group	-	-	( 310,497)	( 310,497)
–Associates	-	-	114,056	114,056
At December 31, 2013	<u>\$ 1,792</u>	<u>\$ 76,475,419</u>	<u>\$ 684,059</u>	<u>\$ 77,161,270</u>

	<u>Hedging reserve</u>	<u>Available-for-sale investment</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2014	\$ 1,792	\$ 76,475,419	\$ 684,059	\$ 77,161,270
Unrealised gain (loss) on available-for-sale investments:				
–Group	-	7,861,891	-	7,861,891
–Associates	-	3,242,913	-	3,242,913
Cash flow hedges:				
–Associates	( 4,414)	-	-	( 4,414)
Currency translation differences:				
–Group	-	-	3,465,164	3,465,164
–Tax of Group	-	-	( 542,225)	( 542,225)
–Associates	-	-	628,627	628,627
At December 31, 2014	<u>(\$ 2,622)</u>	<u>\$ 87,580,223</u>	<u>\$ 4,235,625</u>	<u>\$ 91,813,226</u>

(19) Operating revenue

	For the years ended December 31,	
	2013	2014
Sales revenue	\$ 427,095,629	\$ 400,283,820
Service revenue	606,141	741,523
Other operating revenue	298,164	428,396
	<u>\$ 427,999,934</u>	<u>\$ 401,453,739</u>

(20) Other income

	For the years ended December 31,	
	2013	2014
Rental revenue	\$ 143,000	\$ 138,357
Interest income:		
Interest income from bank deposits	108,422	98,797
Interest from current account with others	284,026	266,870
Other interest income	82,459	55,570
Government grants	148,825	183,419
Dividend income	1,086,634	3,052,980
Other revenue	980,662	1,098,656
	<u>\$ 2,834,028</u>	<u>\$ 4,894,649</u>

(21) Other gains and losses

	For the years ended December 31,	
	2013	2014
Net gain (loss) on financial assets at fair value through profit or loss	(\$ 13,714)	\$ 9,164
Net (loss) gain on financial liabilities at fair value through profit or loss	63,865	( 5,379)
Net currency exchange gain	2,809,442	1,465,571
Gain on disposal of investments	174,705	2,953,517
Gain on disposal of property, plant and equipment	213,208	686,917
Impairment loss on property, plant and equipment	( 763,757)	-
Other losses	( 485,159)	( 303,367)
	<u>\$ 1,998,590</u>	<u>\$ 4,806,423</u>

(22) Finance costs

	For the years ended December 31,	
	2013	2014
Interest expense:		
Bank loans	\$ 1,524,995	\$ 1,565,334
Corporate bond	879,599	1,021,672
Current account with others	165,346	137,600
Discount	58,612	73,786
Other interest expense	120,351	52,909
	2,748,903	2,851,301
Less: capitalisation of qualifying assets	( 128,137)	( 266,606)
Finance costs	\$ 2,620,766	\$ 2,584,695

(23) Expenses by nature

	For the years ended December 31,	
	2013	2014
Depreciation charges on property, plant and equipment	\$ 18,110,987	\$ 17,082,788
Employee benefit expense	13,673,834	13,938,105
Amortisation	4,224,724	3,198,337
	\$ 36,009,545	\$ 34,219,230

(24) Employee benefit expense

	For the years ended December 31,	
	2013	2014
Wages and salaries	\$ 11,644,111	\$ 11,842,351
Labor and health insurance fees	806,446	860,997
Pension costs	651,772	684,340
Other personnel expenses	571,505	550,417
	\$ 13,673,834	\$ 13,938,105

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2013	2014
Current tax:		
Current tax on profits for the year	\$ 2,950,592	\$ 914,528
Adjustments in respect of prior years	13,746	( 14,571)
Total current tax	2,964,338	899,957
Deferred tax:		
Effect of exchange rate	( 2,884)	( 69,894)
Origination and reversal of temporary differences	666,849	843,228
Total deferred tax	663,965	773,334
Income tax expense	\$ 3,628,303	\$ 1,673,291

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

	For the years ended December 31,	
	2013	2014
Currency translation differences	(\$ 310,497)	(\$ 542,225)

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2013	2014
Tax calculated based on profit before tax and statutory tax rate	\$ 5,954,333	\$ 3,210,813
Effect from items disallowed by tax regulation	( 1,974,822)	( 1,827,914)
Effect from investment tax credits	( 457,067)	( 312,746)
Effect from five-year exemption	( 307,892)	( 34,500)
Effect from net operating loss carryforward	16,433	292,230
Effect from allowance for deferred tax assets	213,830	( 335,166)
Effect from changes in tax regulation	-	( 160,572)
Additional 10% tax on undistributed earnings	146,517	795,674
Under provision of prior year's income tax	30,700	44,679
Effect from Alternative Minimum Tax	6,271	793
Income tax expense	\$ 3,628,303	\$ 1,673,291

C.Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carryforward, and investment tax credits are as follows:

For the year ended December 31, 2013				
			Recognised in other comprehensive income	
	January 1	Recognised in profit or loss		December 31
Deferred tax assets:				
Temporary differences				
Currency translation differences	\$ 159,140	\$ -	(\$ 159,140)	\$ -
Unrealized gain from downstream transactions	11,322	52,391	-	63,713
Loss on inventory	53,582	( 7,982)	-	45,600
Accrued pension liabilities	1,779,728	22,080	-	1,801,808
Unrealized exchange loss	5,583	( 5,583)	-	-
Others	198,101	84,707	-	282,808
Net operating loss carryforward	33,611	( 15,967)	-	17,644
Investment tax credits	1,643,224	( 698,852)	-	944,372
	<u>3,884,291</u>	<u>( 569,206)</u>	<u>( 159,140)</u>	<u>3,155,945</u>
Deferred tax liabilities:				
Temporary differences				
Currency translation differences	-	-	( 151,357)	( 151,357)
Unrealized gain on financial assets	( 2,108)	1,878	-	( 230)
Investment income accounted for using equity method	-	( 51,263)	-	( 51,263)
Unrealized exchange gain	( 421)	( 48,258)	-	( 48,679)
	<u>( 2,529)</u>	<u>( 97,643)</u>	<u>( 151,357)</u>	<u>( 251,529)</u>
	<u>\$ 3,881,762</u>	<u>(\$ 666,849)</u>	<u>(\$ 310,497)</u>	<u>\$ 2,904,416</u>

For the year ended December 31, 2014				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Unrealized gain from downstream transactions	\$ 63,713	(\$ 57,578)	\$ -	\$ 6,135
Loss on inventory	45,600	264,150	-	309,750
Accrued pension liabilities	1,801,808	( 54,871)	-	1,746,937
Others	282,808	( 18,917)	-	263,891
Net operating loss carryforward	17,644	1,478	-	19,122
Investment tax credits	944,372	( 848,134)	-	96,238
	<u>3,155,945</u>	<u>( 713,872)</u>	<u>-</u>	<u>2,442,073</u>
Deferred tax liabilities:				
Temporary differences				
Currency translation differences	( 151,357)	-	( 542,225)	( 693,582)
Unrealized gain on financial assets	( 230)	( 562)	-	( 792)
Investment income accounted for using equity method	( 51,263)	( 31,919)	-	( 83,182)
Unrealized exchange gain	( 48,679)	( 96,875)	-	( 145,554)
	<u>( 251,529)</u>	<u>( 129,356)</u>	<u>( 542,225)</u>	<u>( 923,110)</u>
	<u>\$ 2,904,416</u>	<u>(\$ 843,228)</u>	<u>(\$ 542,225)</u>	<u>\$ 1,518,963</u>

D. According to Act for Industrial Innovation and Statute for Upgrading Industries (before its abolishment), details of investment tax credits and unrecognized deferred tax assets are as follows:

December 31, 2013			
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
Machinery and equipment	\$ 168,767	\$ 167	2014
Machinery and equipment	37,577	-	2015
Invest in barren areas	144,149	107,002	2016
Invest in barren areas	164,778	-	2017
Investments in emerging important strategic industries	632,753	96,483	2016
	<u>\$ 1,148,024</u>	<u>\$ 203,652</u>	

Qualifying items	December 31, 2014		
	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
Machinery and equipment	\$ 37,577	\$ -	2015
Invest in barren areas	92,733	92,733	2016
Invest in barren areas	86,339	40,991	2017
Invest in barren areas	49,779	49,779	2018
Investments in emerging important strategic industries	61,335	56,423	2015
Investments in emerging important strategic industries	104,884	96,483	2016
Investments in emerging important strategic industries	91,362	91,362	2017
	<u>\$ 524,009</u>	<u>\$ 427,771</u>	

E.Expiration dates of unused net operating loss carryforward and amounts of unrecognized deferred tax assets are as follows:

Year incurred	Amount filed/ assessed	December 31, 2014		
		Unused amount	Unrecognised deferred tax assets	Usable until year
2005	Assessed	\$ 20,298	\$ -	2015
2006	Assessed	77,103	-	2016
2009	Assessed	26,790	20,881	2019
2011	Assessed	7,069	7,069	2021
2012	Assessed	362,318	362,318	2022
2013	Assessed	1,798,229	1,798,229	2023
2014	Amount filed	1,350,913	1,341,742	2024
		<u>\$ 3,642,720</u>	<u>\$ 3,530,239</u>	

F.The amounts of deductible temporary differences that are not recognized as deferred tax assets are as follows:

	December 31, 2013	December 31, 2014
Deductible temporary differences	<u>\$ 4,967,338</u>	<u>\$ -</u>

G.As of December 31, 2014, the status of the Group's income tax assessment is as follows:

	<u>Income tax assessment</u>
Indirect subsidiary-Hong Jing Resources Corp.	Assessed through 2011
The Company	Assessed through 2012
Subsidiary-Formosa Taffeta Co., Ltd.	"
Subsidiary-Formosa Carpet Corp.	"
Indirect Subsidiary-Formosa Advanced Technologies Co., Ltd.	"
Subsidiary-Formosa BP Chemicals Corp.	"
Subsidiary-Formosa Idemitsu Petrochemical Corp.	"
Subsidiary-Formosa Biomedical Technology Corp.	"
Subsidiary-Tah Shin Spinning Corp.	"

H.Unappropriated retained earnings:

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Earnings generated in and before 1997	\$ 6,198,462	\$ 6,198,462
Earnings generated in and after 1998	37,171,965	28,142,155
	<u>\$ 43,370,427</u>	<u>\$ 34,340,617</u>

I.Information about balance of the imputation credit account is as follows:

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Balance of the imputation credit account	<u>\$ 1,813,230</u>	<u>\$ 2,533,329</u>
	<u>2013 (Actual)</u>	<u>2014 (Estimate)</u>
Creditable tax rate	<u>12.85%</u>	<u>9.00%</u>

(26) Earnings per share

A.Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of outstanding ordinary shares during the period. For the years ended December 31, 2013 and 2014, the earnings per share are calculated as follows:

	<u>For the year ended December 31, 2013</u>				
	<u>Amount</u>		<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>	
	<u>Before tax</u>	<u>After tax</u>		<u>Before tax</u>	<u>After tax</u>
<u>Basic earnings per share</u>					
Consolidated net income	\$ 30,306,827	\$ 26,678,524		\$ 5.19	\$ 4.56
Net income of non-controlling interest	( 3,157,045)	( 1,814,879)		( 0.54)	( 0.31)
Profit attributable to ordinary shareholders of the parent	<u>\$ 27,149,782</u>	<u>\$ 24,863,645</u>	<u>5,844,603</u>	<u>\$ 4.65</u>	<u>\$ 4.25</u>



For the year ended December 31, 2014

	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 15,694,432	\$ 14,021,141		\$ 2.68	\$ 2.40
Net income of non-controlling interest	( 4,520,131)	( 3,490,853)		( 0.77)	( 0.60)
Profit attributable to ordinary shareholders of the parent	\$ 11,174,301	\$ 10,530,288	5,844,385	\$ 1.91	\$ 1.80

B. Employees' bonus could be distributed in the form of stock. Since there is no significant impact when calculating diluted earnings per share, basic earnings per share equals diluted earnings per share.

C. If stocks of the parent company held by subsidiaries are not treated as treasury stocks, the calculation of basic earnings per share is as follows:

For the year ended December 31, 2013

	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 30,306,827	\$ 26,678,524		\$ 5.17	\$ 4.55
Net income of non-controlling interest	( 3,157,045)	( 1,814,879)		( 0.54)	( 0.31)
Profit attributable to ordinary shareholders of the parent	<u>\$ 27,149,782</u>	<u>\$ 24,863,645</u>	<u>5,861,186</u>	<u>\$ 4.63</u>	<u>\$ 4.24</u>

For the year ended December 31, 2014

	Amount		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share</u>					
Consolidated net income	\$ 15,694,432	\$ 14,021,141		\$ 2.68	\$ 2.39
Net income of non-controlling interest	( 4,520,131)	( 3,490,853)		( 0.77)	( 0.59)
Profit attributable to ordinary shareholders of the parent	<u>\$ 11,174,301</u>	<u>\$ 10,530,288</u>	<u>5,861,186</u>	<u>\$ 1.91</u>	<u>\$ 1.80</u>

(27) Non-cash transaction

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2013	2014
Purchase of property, plant and equipment	\$ 14,257,517	\$ 13,865,750
Add: opening balance of payable on equipment	261,768	1,356,992
Less: ending balance of payable on equipment	( 1,356,992)	( 1,262,381)
Cash paid during the year	<u>\$ 13,162,293</u>	<u>\$ 13,960,361</u>

B. Change in cash from disposal of subsidiaries for the year:

	For the years ended December 31,	
	2013	2014
Proceeds from disposal of subsidiaries	\$ 125,622	\$ -
Less: decrease in subsidiaries' cash	( 2,877)	-
Effect from change in cash from disposal of subsidiaries	<u>\$ 122,745</u>	<u>\$ -</u>

C. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2013	2014
Appropriation for cash dividends	\$ 3,698,806	\$ 14,652,966
Increase in dividends payable	( 113,244)	( 506,609)
Cash dividends paid during the year	<u>\$ 3,585,562</u>	<u>\$ 14,146,357</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Sales of goods:

	For the years ended December 31,	
	2013	2014
Sales of goods:		
— Associates	\$ 42,511,326	\$ 36,839,675
— Other related parties	53,735,719	50,149,641
	<u>\$ 96,247,045</u>	<u>\$ 86,989,316</u>

When the Group sells goods to related parties, except for terms to certain related parties which are longer, prices are in agreement with prices granted to third parties.

B. Purchases of goods:

	For the years ended December 31,	
	2013	2014
Purchases of goods:		
— Associates	\$ 215,589,217	\$ 195,253,116
— Other related parties	<u>23,806,583</u>	<u>28,240,292</u>
	<u>\$ 239,395,800</u>	<u>\$ 223,493,408</u>

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

C. Receivables from related parties:

	December 31, 2013	December 31, 2014
Notes and accounts receivables - related parties		
— Associates	\$ 4,528,045	\$ 2,097,557
— Other related parties	<u>4,990,766</u>	<u>4,698,943</u>
	9,518,811	6,796,500
Other receivables - related parties		
— Associates	<u>2,116,957</u>	<u>9,046,000</u>
	<u>\$ 11,635,768</u>	<u>\$ 15,842,500</u>

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

D. Payables to related parties:

	December 31, 2013	December 31, 2014
Payables to related parties:		
— Associates	\$ 22,101,389	\$ 11,298,988
— Other related parties	<u>2,375,079</u>	<u>3,745,180</u>
	<u>\$ 24,476,468</u>	<u>\$ 15,044,168</u>

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

#### E.Expenditure of expansion and repair project

##### (a)Expansion and repair project:

	For the years ended December 31,	
	2013	2014
Expansion and repair works of factory sites		
— Associates	\$ 187,447	\$ 125,288
— Other related parties	72,040	54,723
	<u>\$ 259,487</u>	<u>\$ 180,011</u>

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

	December 31, 2013	December 31, 2014
Payables to related parties:		
— Associates	\$ 7,158	\$ 254
— Other related parties	3,151	7,515
	<u>\$ 10,309</u>	<u>\$ 7,769</u>

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

#### F.Financing

##### (a)Other receivable from related parties

###### (1)Ending balance

	December 31, 2013	December 31, 2014
Associates	\$ 2,500,700	\$ 6,060,000
Other related parties	10,800,000	12,087,440
	<u>\$ 13,300,700</u>	<u>\$ 18,147,440</u>

###### (2)Interest income

	For the years ended December 31,	
	2013	2014
Associates	\$ 42,145	\$ 100,429
Other related parties	241,787	165,901
	<u>\$ 283,932</u>	<u>\$ 266,330</u>

The loan terms to related parties are in accordance with the contract's repayment schedule; interest was collected at 1.61%~1.65% and 0.73%~1.64% per annum for the years ended December 31, 2013 and 2014, respectively.

(b)Other payables to related parties

(1)Ending balance

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Associates	\$ 154,800	\$ 110,100
Other related parties	<u>3,059,892</u>	<u>2,705,801</u>
	<u>\$ 3,214,692</u>	<u>\$ 2,815,901</u>

(2)Interest expense

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2014</u>
Associates	\$ 7,552	\$ 2,188
Other related parties	<u>152,058</u>	<u>134,879</u>
	<u>\$ 159,610</u>	<u>\$ 137,067</u>

The loan terms from associates are in accordance with the contract's repayment schedule; interest is paid at a rate of 1.61%~3.92% and 1.61%~3.92% for the years ended December 31, 2013 and 2014, respectively.

G. Receivables for payment on behalf of others

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Associates	\$ 5,962,189	\$ 895,043

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

H.Operating expenses

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2014</u>
Transportation charges		
Other related parties	<u>\$ 1,345,963</u>	<u>\$ 1,514,009</u>

I.Rental revenue

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2014</u>
Associates	\$ 40,708	\$ 33,339
Other related parties	<u>88,897</u>	<u>92,172</u>
	<u>\$ 129,605</u>	<u>\$ 125,511</u>

The rental rates charged to related parties are determined taking into consideration the local ratio prices and payments, and are collected monthly.

J. Property transactions:

(a) Purchase of property, plant and equipment

	For the years ended December 31,	
	2013	2014
Purchase of property, plant and equipment		
— Associates	\$ -	\$ 87,139
— Other related parties	-	-
	<u>\$ -</u>	<u>\$ 87,139</u>

(b) Disposal of property, plant and equipment

	For the years ended December 31,			
	2013		2014	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Sale of property, plant and equipment:				
— Associates	\$ -	\$ -	\$ -	\$ -
— Other related parties	18,828	-	1,750	-
	<u>\$ 18,828</u>	<u>\$ -</u>	<u>\$ 1,750</u>	<u>\$ -</u>

(c) Acquisition of financial investment

	Items	Number of shares (in share)	Name of the securities	2013
				Acquisition cost
	Investments accounted for using equity method	-	Formosa Ha Tinh Steel Corporation Tinh (Cayman) Limited	\$ 14,928,029
— Associates				
— Other related parties				-
				<u>\$ 14,928,029</u>

				2014
				Acquisition
				cost
	Items	Number of shares (in share)	Name of the securities	
— Associates	Investments accounted for using equity method	-	Formosa Ha Tinh (Cayman) Limited (Note)	\$ 20,414,927
		\$ 116,250,000	Formosa Resources Corporation	1,162,500
	"			
		12,500	Formosa Group Corp. (Cayman)	377
		1,500,000	Formosa Construction Corp.	15,000
	"			
		3,010,894	Kuang Yueh Co.,Ltd	119,154
	"			
— Other related parties				-
				<u>\$ 21,711,958</u>

(d) Disposal of financial investment

					2013
					Gain on disposal
	Items	Number of shares (in share)	Name of the securities	Proceeds	
— Associates	Investments accounted for using equity method	12,600,000	Formosa Energy & Material Technology Corp.	\$ 126,000	\$ 48,526
— Other related parties	"			-	-
				<u>\$ 126,000</u>	<u>\$ 48,526</u>
					2014
	Items	Number of shares (in shares)	Name of the securities	Proceeds	Gain on disposal
— Associates	Investments accounted for using equity method	-	Formosa Ha Tinh (Cayman) Limited (Note)	\$ 20,414,927	\$ -
— Other related parties	"	17,200,000	Formosa Petrochemical Corp.	1,324,400	921,392
				<u>\$ 21,739,327</u>	<u>\$ 921,392</u>

Note: After the reorganization in September 2014, the Group now indirectly holds Formosa Ha Tinh Steel Corporation through direct ownership in Formosa Ha Tinh (Cayman) Limited as described in Note 6(8)D.

K. Donation

	For the years ended December 31,	
	2013	2014
Other related parties	\$ 7,632	\$ 4,869

L. Details of endorsement or guarantee provided by associates for the Group's borrowings are provided in Note 6(13).

(2) Key management compensation

	For the years ended December 31,	
	2013	2014
Salaries	\$ 130,732	\$ 138,398
Post-employment benefits	1,571	1,921
	<u>\$ 132,303</u>	<u>\$ 140,319</u>

8. PLEDGED ASSETS

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

Pledged assets	Book value		Purpose
	December 31, 2013	December 31, 2014	
Long-term equity investments accounted for under the equity method	\$ 11,118,394	\$ 11,140,319	Collateral for bank loans
Property, plant and equipment	10,243,919	10,316,097	"
Available-for-sale financial assets - noncurrent	851,185	-	"
Inventory	75,342	40,287	Collateral limited to be transferred for land tax reassessment and for bank loans
Other noncurrent assets	14,737	-	Performance guarantee
	<u>\$ 22,303,577</u>	<u>\$ 21,496,703</u>	



9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

The details of commitments and contingencies as of December 31, 2014 were as follows:

- (1)Capital expenditures of property, plant and equipment that were contracted but not yet completed amounted to NTD \$4,909,481 thousand, RMB 329,519 thousand and VND 1,543,626,891 thousand.
- (2)The outstanding letters of credit for raw materials and equipment purchases amounted to US\$113,513,000, EUR 8,304,000 and ¥179,606,000.
- (3)The Group signed a 7-year syndicated long-term loan contract with the consortium which included Mega Bank, Bank of Taiwan, Chang Hwa Bank, Hua Nan Bank, Taiwan Cooperative Bank and Land Bank of Taiwan in the amount of NTD \$12.1 billion for the year ended December 31, 2013. As of December 31, 2013, the loan facility had been used and the land in Taisu Industrial Park, Mailiao Township, Yunlin was pledged as collateral.
- (4)The Group's investee under the equity method-Formosa Synthetic Rubber Corp. (Ningbo) signed a syndicated loan contract with a consortium, which included Taiwan Cooperative Bank, for US\$130 million and RMB300 million for operational needs. According to the demands of the consortium, the Group has to offer a promissory note in accordance with its ownership percentage and has to manage the necessary funds to fulfill the repayment obligations when needed.
- (5)Formosa Resource Australia Pty Ltd., an investee company of the Group's investee accounted for under the equity method-Formosa Resource Corp., needs to sign a loan with ANZ Bank for US\$600 million for capital to invest in mineral resources. Under the loan agreement, the Group has to offer a promissory note in accordance with its ownership percentage and has to support the debtor to repay the above loan within necessary limits.
- (6)As of December 31, 2014, the pledged amount for the purchase of raw materials was US\$8,019 thousand.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1)The Board of Directors has resolved the appropriation of 2014 earnings on March 20, 2015. Details are provided in Note 6(17) G.
- (2)In response to capital expenditure and equipment requirements in Son Duong Port & Integrated Steel Mill Complex of Formosa Ha Tinh Steel Corporation in Vietnam, the Group's investee - Formosa Group (Cayman) Limited plans to obtain credit line facilities for 1~5 years duration with various banks. Relative to the above, the Group plans to provide guarantee proportionately to its shareholding ratio and the Group is liable for 25% of the borrowing company's debt. The Board of Directors has approved the plan on March 20, 2015.

- (3) In response to capital expenditure and equipment requirements in Son Duong Port & Integrated Steel Mill Complex of Formosa Ha Tinh Steel Corporation in Vietnam, Formosa Group (Cayman) Limited will issue 10-year overseas corporate bonds up to a maximum amount of USD1.3 billion. Relative to the above, the Group plans to provide guarantee proportionately to its shareholding ratio as 25% of the obligation arising from the overseas corporate bonds issuance. The Board of Directors has approved the plan on March 20, 2015.
- (4) In order to raise long-term funds for expansion, replacing old plant equipment, repayment for obligation, fulfilling operating funds and investment in local or overseas business, the Board of Directors during its meeting on March 20, 2015 has approved the plan to issue unsecured ordinary corporate bonds of NTD\$5 billion.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, and issue corporate bonds to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2013 and 2014 were as follows:

	December 31, 2013	December 31, 2014
Total borrowings	\$ 154,020,038	\$ 158,911,861
Less: cash and cash equivalents	( 11,459,481)	( 14,335,920)
Net debt	142,560,557	144,575,941
Total equity	312,707,801	323,886,354
Total capital	\$ 455,268,358	\$ 468,462,295
Gearing ratio	31%	31%

### (2) Financial instruments

#### A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable (including related parties), accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, short-term notes and bills payable, notes payable (including related parties), accounts payable (including related parties), other payables (including related parties), are approximate to their fair values. Because the interest rates of the

long-term loans (including portion maturing within one year or one operating cycle, whichever is longer) are close to the market interest rate, thus the carrying amount is a reasonable basis for the estimation of fair value. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

#### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(11)).
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

- i. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management has set up a policy to manage its foreign exchange risk against its functional currency. The Group hedges its entire foreign exchange risk exposure. To manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group uses forward foreign exchange contracts. Foreign exchange risk arises when the future commercial transactions and recognized assets and liabilities are denominated in non-functional currencies.
- iii. The Group hedges recognized assets or liabilities denominated in foreign currencies or highly expectable transactions by utilising forward exchange contracts, trading forward exchanges, and cross currency swap contracts amongst other derivative financial instruments in order to lower the risk from changes in fair value resulting from fluctuations in the exchange rate. The Group also monitors the changes in the exchange rate and sets stop loss points to lower the risk from exchange rate.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional

currency: USD, VND and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2013				
Foreign Currency			Book Value	
Amount (In Thousands)		Exchange Rate	(NTD)	
(in thousands)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$	551,782	29.95	\$ 16,525,871
JPY : NTD		675,363	0.28	192,208
<u>Non-monetary items</u>				
RMB : NTD	\$	7,324,007	4.91	\$ 35,977,954
USD : NTD		33,344	29.95	998,653
VND : NTD		20,927,875,514	0.0014	29,696,655
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$	296,293	29.95	\$ 8,873,975
JPY : NTD		644,703	0.28	183,482
USD : RMB		921,155	29.95	27,588,592
USD : VND		128,762	29.95	3,856,422
December 31, 2014				
Foreign Currency			Book Value	
Amount (In Thousands)		Exchange Rate	(NTD)	
(in thousands)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$	858,359	31.72	\$ 27,225,431
JPY : NTD		302,008	0.27	80,032
<u>Non-monetary items</u>				
RMB : NTD	\$	7,051,180	5.18	\$ 36,525,112
USD : NTD		700,269	31.72	22,211,132
VND : NTD		6,991,387,874	0.0015	10,368,228
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$	179,246	31.72	\$ 5,685,325
JPY : NTD		726,228	0.27	192,450
USD : RMB		1,025,197	31.72	32,517,198
USD : VND		82,022	31.72	2,601,574

v. Analysis of foreign currency market risk arising from significant foreign exchange

variation:

Year ended December 31, 2013				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 165,259	\$	-
JPY : NTD	1%	1,922		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 88,740		
JPY : NTD	1%	1,835		-
USD : RMB	1%	275,886		-
USD : VND	1%	38,564		-

  

Year ended December 31, 2014				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 272,254	\$	-
JPY : NTD	1%	800		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 56,853	\$	-
JPY : NTD	1%	1,925		-
USD : RMB	1%	325,172		-
USD : VND	1%	26,016		-

#### Price risk

A. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

B.The Group's investments in equity securities comprise domestic listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, components of equity for the years ended December 31, 2013 and 2014 would have increased/decreased by \$1,143,740 and \$1,195,306, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

A.The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2013 and 2014, the Group's borrowings at variable rate were denominated in the NTD and USD.

B.At December 31, 2013 and 2014, if interest rates on denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2013 and 2014 would have been \$566,254 and \$509,414 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b)Credit risk

i.Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The Group utilises certain credit enhancement instruments (such as sales revenue or guarantees received in advance) at appropriate times to lower the credit risk from specific customers. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted.

ii.No credit limits were exceeded for the years ended December 31, 2013 and 2014, and management does not expect any significant losses from non-performance by these counterparties.

(c)Liquidity risk

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

Non-derivative financial liabilities:

<u>December 31, 2013</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 27,996,683	\$ -	\$ -	\$ -
Short-term bills payable	1,349,848	-	-	-
Notes payable (including related parties)	172,083	-	-	-
Accounts payable (including related parties)	31,638,433			
Other payables (including related parties)	9,147,358	-	-	-
Bonds payable	7,800,000	10,000,000	21,950,000	18,050,000
Long-term borrowings	14,017,368	24,225,702	29,784,169	69,116
Long-term notes payable	127,000	-	-	-

<u>December 31, 2014</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 29,187,199	\$ -	\$ -	\$ -
Short-term notes and bill payable	2,349,524			
Notes payable (including related parties)	205,567			
Accounts payable (including related parties)	21,994,885	-	-	-
Other payables (including related parties)	9,171,509	-	-	-
Bonds payable	10,000,000	9,500,000	18,650,000	27,850,000
Long-term borrowings	13,389,560	27,692,749	15,565,382	4,727,447

Derivative financial liabilities:

<u>December 31, 2013</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Forward exchange contracts	\$ 704	\$ -	\$ -	\$ -

<u>December 31, 2014</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Forward exchange contracts	\$ 5,844	\$ -	\$ -	\$ -

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

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method.

The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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



The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2013 and 2014:

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 1,352	\$ -	\$ 1,352
Available-for-sale financial assets				
Equity securities	<u>114,476,786</u>	<u>2,692,338</u>	<u>-</u>	<u>117,169,124</u>
	<u>\$ 114,476,786</u>	<u>\$ 2,693,690</u>	<u>\$ -</u>	<u>\$ 117,170,476</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 704</u>	<u>\$ -</u>	<u>\$ 704</u>
<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 2,394	\$ -	\$ 2,394
Beneficiary Certificate		652,105		652,105
Available-for-sale financial assets				
Equity securities	<u>119,530,580</u>	<u>2,924,982</u>	<u>-</u>	<u>122,455,562</u>
	<u>\$ 119,530,580</u>	<u>\$ 3,579,481</u>	<u>\$ -</u>	<u>\$ 123,110,061</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 5,844</u>	<u>\$ -</u>	<u>\$ 5,844</u>

- B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.
- C. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- E. Specific valuation techniques used to value financial instruments include:
- (a) Quoted market prices or dealer quotes for similar instruments.
  - (b) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
  - (c) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
  - (d) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

In accordance with “Rules Governing the Preparation of Financial Statements by Securities Issuers”, significant transactions for the year ended December 31, 2014 are stated as follows.

##### A. Loans to others:

Number (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2014 ( Note 3 )	Balance at December 31, 2014 (Note 7)	Actual amount drawn down	Interest rate %	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)	Footnote
													Item	Value			
0	The Company	Formosa Plastics Corp.	Other receivables-related parties	Yes	\$ 8,000,000	\$ 6,000,000	\$ -	1.61~1.64	1	2	-	\$ -	None	-	\$ 69,470,523	\$ 138,941,046	-
0	The Company	Formosa Idemitsu Petrochemical Corp.	Other receivables-related parties	Yes	800,000	800,000	-	1.61~1.64	1	2	-	-	None	-	69,470,523	138,941,046	-
0	The Company	Nan Ya Plastics Corp.	Other receivables-related parties	Yes	8,000,000	6,000,000	-	1.61~1.64	1	2	-	-	None	-	69,470,523	138,941,046	-
0	The Company	Formosa Biomedical Technology Corp.	Other receivables-related parties	Yes	600,000	600,000	340,000	1.61~1.64	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-
0	The Company	Formosa Heavy Industries Corp.	Other receivables-related parties	Yes	12,400,000	9,000,000	3,000,000	1.61~1.64	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-
0	The Company	Formosa Plastics Marine Corp.	Other receivables-related parties	Yes	3,247,240	3,247,240	2,537,440	0.73~0.74	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-

Number (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2014 (Note 3)	Balance at December 31, 2014 (Note 7)	Actual amount drawn down	Interest rate %	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)	Footnote
													Item	Value			
0	The Company	Formosa BP Chemicals Corp.	Other receivables-related parties	Yes	\$ 1,500,000	\$ 1,500,000	\$ 845,600	1.61~1.64	1	2	-	\$ -	None	-	\$ 69,470,523	\$ 138,941,046	-
0	The Company	Formosa Carpet Corp.	Other receivables-related parties	Yes	100,000	100,000	9,400	1.61~1.64	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-
0	The Company	Hong Jing Resources Corp.	Other receivables-related parties	Yes	1,600,000	1,600,000	630,000	1.61~1.64	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-
0	The Company	Mai-Liao Power Corp.	Other receivables-related parties	Yes	1,729,135	-	-	1.61	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-
0	The Company	Formosa Energy & Material Technology Corp.	Other receivables-related parties	Yes	1,600,000	-	-	1.61	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-
0	The Company	Tah Shin Spinning Corp.	Other receivables-related parties	Yes	100,000	100,000	-	1.61~1.64	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-
0	The Company	Formosa Petrochemical Corp.	Other receivables-related parties	Yes	11,800,000	8,500,000	2,500,000	1.61~1.64	1	2	-	-	None	-	69,470,523	138,941,046	-
0	The Company	Nan Ya Technology Corp.	Other receivables-related parties	Yes	15,300,000	10,200,000	8,700,000	1.61~1.64	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-
0	The Company	Formosa Plastics Transport Corp.	Other receivables-related parties	Yes	820,000	820,000	560,000	1.61~1.64	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-

Number (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2014 ( Note 3 )	Balance at December 31, 2014 (Note 7)	Actual amount drawn down	Interest rate %	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)	Footnote
													Item	Value			
0	The Company	Mai-Liao Harbor Administration Corp.	Other receivables-related parties	Yes	\$ 1,000,000	\$ 850,000	\$ 850,000	1.63	2	1	Additional operating capital	\$ -	None	-	\$ 55,576,418	\$ 111,152,836	-
0	The Company	Formosa Synthetic Rubber Corp.	Other receivables-related parties	Yes	160,000	-	-	1.61	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-
0	The Company	Formosa Industries Corp., Vietnam	Other receivables-related parties	Yes	200,000	-	-	1.61	2	1	Additional operating capital	-	None	-	55,576,418	111,152,836	-
0	The Company	Formosa Ha Tinh Steel Corporation-TW	Other receivables-related parties	Yes	236,600	236,600	-	1.64	2	1	Additional operating capital	-	None	-	-	-	-
1	Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Other receivables-related parties	Yes	115,000	115,000	115,000	1.61~1.64	2	1	Additional operating capital	-	None	-	753,080	1,882,701	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa PS (Ningbo) Co., Ltd.	Receivables from related party	Yes	99,178	-	-	3.92	2	1	Additional operating capital	-	None	-	4,303,958	10,759,895	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd.	Receivables from related party	Yes	97,412	-	-	3.92	2	1	Additional operating capital	-	None	-	4,303,958	10,759,895	-

Number (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2014 ( Note 3 )	Balance at December 31, 2014 (Note 7)	Actual amount drawn down	Interest rate %	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)	Footnote
													Item	Value			
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Phenol (Ningbo) Limited Co.	Receivables from related party	Yes	\$ 15,551	\$ 15,551	\$ 15,551	3.92	2	1	Additional operating capital	\$ -	None	-	\$ 4,303,958	\$ 10,759,895	-
2	Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Receivables from related party	Yes	668,672	668,672	668,672	3.92	2	1	Additional operating capital	-	None	-	4,303,958	10,759,895	-
3	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd.	Receivables from related party	Yes	124,343	-	-	3.92	2	1	Additional operating capital	-	None	-	4,401,132	11,002,830	-
3	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa PS (Ningbo) Co., Ltd.	Receivables from related party	Yes	808,226	-	-	3.92	2	1	Additional operating capital	-	None	-	4,401,132	11,002,830	-
3	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Power (Ningbo) Co., Ltd.	Receivables from related party	Yes	686,371	-	-	3.92	2	1	Additional operating capital	-	None	-	4,401,132	11,002,830	-
3	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Phenol (Ningbo) Limited Co.	Receivables from related party	Yes	204,618	-	-	3.92	2	1	Additional operating capital	-	None	-	4,401,132	11,002,830	-

Number (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2014 ( Note 3 )	Balance at December 31, 2014 (Note 7)	Actual amount drawn down	Interest rate %	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short- term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 6)	Ceiling on total loans granted (Note 6)	Footnote
													Item	Value			
4	Formosa PS (Ningbo) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd.	Receivables from related party	Yes	\$ 87,671	\$ -	\$ -	3.92	2	1	Additional operating capital	\$ -	None	-	\$ 885,894	\$ 2,214,735	-
4	Formosa PS (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Receivables from related party	Yes	259,175	259,175	259,175	3.92	2	1	Additional operating capital	-	None	-	885,894	2,214,735	-
5	Formosa ABS Plastics (Ningbo) Co., Ltd.	Formosa Power (Ningbo) Co., Ltd.	Receivables from related party	Yes	74,606	-	-	3.92	2	1	Additional operating capital	-	None	-	3,247,078	8,117,694	-
5	Formosa ABS Plastics (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Receivables from related party	Yes	267,410	-	-	3.92	2	1	Additional operating capital	-	None	-	3,247,078	8,117,694	-
5	Formosa ABS Plastics (Ningbo) Co., Ltd.	Formosa PS (Ningbo) Co., Ltd.	Receivables from related party	Yes	544,159	-	-	3.92	2	1	Additional operating capital	-	None	-	3,247,078	8,117,694	-
5	Formosa ABS Plastics (Ningbo) Co., Ltd.	Formosa Phenol (Ningbo) Limited Co.	Receivables from related party	Yes	619,863	-	-	3.92	2	1	Additional operating capital	-	None	-	3,247,078	8,117,694	-

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

(1)The Company is '0'.

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

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

Note 3: Maximum outstanding balance of loans to others during the year ended December 31, 2014

Note 4: The nature of loans:

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

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

Note 5: Amount of business transactions with the borrower:

(1) No business transactions is '1'.

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

Note 6: The calculation of limit on loans granted to others:

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

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

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

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

Note 7: The amount was resolved by the Board of Directors.



B. Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2014 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2014	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 5)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Provision of endorsements/ guarantees to the party in Mainland China (Note 5)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	The Company	Formosa Industries Corp., Vietnam	1	\$14,367,572	\$ 4,909,167	\$ 4,485,591	\$4,485,591	\$ -	1.61%	\$ 421,052,260	Y	N	N	-
0	The Company	Formosa Group (Cayman) Limited	6	180,623,359	29,140,913	29,140,913	13,202,618	-	10.49%	421,052,260	N	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Zhong Shan) Co., Ltd.	2	31,992,782	2,532,000	2,532,000	965,325	-	5.14%	63,985,565	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	2	31,992,782	2,057,250	2,057,250	-	-	4.18%	63,985,565	Y	N	N	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	3	31,992,782	2,985,490	2,985,490	466,521	-	6.07%	63,985,565	Y	N	Y	-
1	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	2	31,992,782	4,161,975	4,161,975	1,373,626	-	8.46%	63,985,565	Y	N	N	-

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

(1)The Company is '0'.

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

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

(1) Having business relationship.

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

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

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

(5) Mutual guarantee of the trade as required by the construction contract.

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

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

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

Note 5: 'Y' represents cases of provision of endorsements/guarantees by listed parent company to subsidiary, provision by subsidiary to listed parent company, and provision to the party in Mainland China.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities		Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2014				Footnote
	Type	Name			Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks	Formosa Plastics Corp.	The Company's chairman is the issuer's director	Available-for-sale financial assets - current	486,978,692	\$ 35,208,559	7.65	\$ 35,208,559	-
The Company	Stocks	Asia Pacific Investment Corp.	The Company's chairman is the issuer's director	Available-for-sale financial assets - current	63,621,500	2,527,683	14.97	2,527,683	-
The Company	Stocks	Nan Ya Plastics Corp.	The Company's chairman is the issuer's director	Available-for-sale financial assets - current	413,327,750	27,072,968	5.21	27,072,968	-
The Company	Stocks	Nan Ya Technology Corp.	The Company's chairman is the issuer's director	Available-for-sale financial assets - current	233,420,339	18,907,047	9.69	18,907,047	-
The Company	Stocks	Formosa Union Chemical Corp.	-	Available-for-sale financial assets - current	14,936,190	183,715	3.47	183,715	-
The Company	Stocks	Nan Ya Technology Corp.	The Company's chairman is the issuer's director	Available-for-sale financial assets - noncurrent	132,464,038	10,729,587	5.50	10,729,587	-
The Company	Stocks	Mai-Liao Harbor Administration Corp.	The Company's chairman is the issuer's director	Financial assets measured at cost - noncurrent	39,562,740	539,260	17.98	-	-
The Company	Stocks	Formosa Plastic Corp. U.S.A	The Company's chairman is the issuer's director	Financial assets measured at cost - noncurrent	8,999	818,316	2.92	-	-
The Company	Stocks	Central Leasing Corp.	-	Financial assets measured at cost - noncurrent	1,778,611	-	1.07	-	-
The Company	Stocks	Taiwan Stock Exchange Corp.	-	Financial assets measured at cost - noncurrent	12,881,742	1,800	2.00	-	-
The Company	Stocks	Taiwan Aerospace Corp.	-	Financial assets measured at cost - noncurrent	1,070,151	10,702	0.79	-	-
The Company	Stocks	Yi-Jih Development Corp.	The Company's chairman is the issuer's chairman	Financial assets measured at cost - noncurrent	300,000	3,000	1.51	-	-
The Company	Stocks	Chinese Television System Corp.	-	Financial assets measured at cost - noncurrent	2,376,202	38,419	1.41	-	-
The Company	Stocks	Formosa Plastics Maritime Corp.	The Company is the issuer's corporate director	Financial assets measured at cost - noncurrent	355,880	1,750	18.22	-	-
The Company	Stocks	Formosa Development Corp.	The Company is the issuer's supervisor	Financial assets measured at cost - noncurrent	13,639,080	90,010	18.00	-	-
The Company	Stocks	Formosa Network Technology Corp.	The Company's chairman is the issuer's director	Financial assets measured at cost - noncurrent	1,800,000	13,331	12.50	-	-
The Company	Stocks	Formosa Plastics Marine Corp.	The Company's chairman is the issuer's director	Financial assets measured at cost - noncurrent	2,428,500	15,000	15.00	-	-

Securities held by	Marketable securities		Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2014				Footnote
	Type	Name			Number of shares	Book value	Ownership (%)	Fair value	
The Company	Stocks	Formosa Ocean Group Marine Investment Corp.	The Company's chairman is the issuer's director	Financial assets measured at cost - noncurrent	2,622	\$ 856,948	19.00	\$ -	-
The Company	Stocks	Guangyuan Investment Corp.	-	Financial assets measured at cost - noncurrent	5,000,000	50,000	3.91	-	-
Tah Shin Spinning Corp.	Stocks	Nan Ya Technology Corp.	-	Available-for-sale financial assets - current	5,760	1,217	-	467	-
Formosa Biomedical Technology Corp.	Stocks	Formosa Union Chemical Corp.	-	Available-for-sale financial assets - current	877,879	10,798	0.20	10,798	-
Formosa Biomedical Technology Corp.	Stocks	Changs Ascending Enterprise Corp., Ltd.	-	Available-for-sale financial assets - current	2,875,000	115,288	5.25	115,288	-
Formosa Biomedical Technology Corp.	Stocks	Formosa Energy & Material Technology Corp.	Related party in substance	Financial assets measured at cost - noncurrent	5,300,000	38,520	15.14	-	-
Formosa Biomedical Technology Corp.	Stocks	Formosa Network Technology Corp.	Same as Formosa Biomedical Technology Corp.'s chairman	Financial assets measured at cost - noncurrent	401,920	3,395	2.79	-	-
Formosa Biomedical Technology Corp.	Stocks	Taiwan Leader Biotech Corp.	-	Financial assets measured at cost - noncurrent	2,100,000	21,033	7.41	-	-
Formosa Biomedical Technology Corp.	Stocks	United Performance Materials Corp.	Formosa Biomedical Technology Corp. is the director of the issuer's parent company	Financial assets measured at cost - noncurrent	353,100	8,400	0.46	-	-
Formosa Biomedical Technology Corp.	Stocks	United Biopharma, Inc.	-	Financial assets measured at cost - noncurrent	22,999,750	635,828	19.62	-	-
Formosa Taffeta Co., Ltd.	Stocks	Formosa Chemicals & Fibre Corp.	Formosa Taffeta Co., Ltd.'s parent company	Available-for-sale financial assets - current	11,219,610	750,592	0.19	750,592	(Note 3)
Formosa Taffeta Co., Ltd.	Stocks	Pacific Electric Wire & Cable Corp., Ltd.	-	Available-for-sale financial assets - current	32	-	-	-	-
Formosa Taffeta Co., Ltd.	Stocks	Formosa Plastics Corp.	Formosa Taffeta Co., Ltd.'s chairman is designated to represent as the issuer's managing directors	Available-for-sale financial assets - current	640	46	-	46	-
Formosa Taffeta Co., Ltd.	Stocks	Nan Ya Plastics Corp.	Formosa Taffeta Co., Ltd.'s chairman is the issuer's managing director	Available-for-sale financial assets - current	482,194	31,584	0.01	31,584	-
Formosa Taffeta Co., Ltd.	Stocks	Hwa Ya Technologies Corp.	-	Available-for-sale financial assets - current	2,712,345	136,160	0.04	136,160	-
Formosa Taffeta Co., Ltd.	Stocks	Asia Pacific Investment Corp.	Formosa Taffeta Co., Ltd.'s chairman is designated to represent as the issuer's director	Available-for-sale financial assets - current	10,000,000	397,300	2.35	397,300	-

Securities held by	Marketable securities		Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2014				Footnote
	Type	Name			Number of shares	Book value	Ownership (%)	Fair value	
Formosa Taffeta Co., Ltd.	Stocks	Nan Ya Technology Corp.	Formosa Taffeta Co., Ltd.'s chairman is the issuer's director	Available-for-sale financial assets - noncurrent	13,950,464	\$ 1,129,988	0.58	\$ 1,129,988	-
Formosa Taffeta Co., Ltd.	Stocks	Formosa Petrochemical Corp.	Related party in substance	Available-for-sale financial assets - noncurrent	365,267,576	25,093,882	3.83	25,093,882	-
Formosa Taffeta Co., Ltd.	Stocks	Syntronix Corporation	-	Financial assets measured at cost - noncurrent	174,441	3,236	0.45	-	-
Formosa Taffeta Co., Ltd.	Stocks	Toa Resin Corp., Ltd.	Formosa Taffeta Co., Ltd. is the issuer's corporate director	Financial assets measured at cost - noncurrent	14,400	3,000	10.00	-	-
Formosa Taffeta Co., Ltd.	Stocks	Shin Yun Natural Gas Corp.	-	Financial assets measured at cost - noncurrent	507,237	3,099	1.20	-	-
Formosa Taffeta Co., Ltd.	Stocks	Wk Technology Fund IV Ltd.	-	Financial assets measured at cost - noncurrent	6,690,134	47,897	3.17	-	-
Formosa Taffeta Co., Ltd.	Stocks	Nan Ya Optical Corp.	Formosa Taffeta Co., Ltd.'s chairman and the issuer's chairman are within second degree of kinship	Financial assets measured at cost - noncurrent	19,066,860	196,389	9.53	-	-
Formosa Development Co., Ltd.	Stocks	Formosa Taffeta Co., Ltd.	Formosa Taffeta Co., Ltd. is Formosa Development Co., Ltd.'s parent company	Available-for-sale financial assets - noncurrent	2,613,228	82,055	0.16	82,055	-
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	-	Association of R.O.C. in Xiamen	-	Financial assets measured at cost - noncurrent	-	156	0.11	-	-
Formosa Advanced Technologies Co., Ltd.	Stocks	Formosa Plastics Corp.	Formosa Advanced Technologies Co., Ltd.'s chairman is the issuer's director	Available-for-sale financial assets - current	388	28	-	28	-
Formosa Advanced Technologies Co., Ltd.	Stocks	Nan Ya Plastics Corp.	Formosa Advanced Technologies Co., Ltd.'s chairman is the issuer's director	Available-for-sale financial assets - current	312,512	20,469	-	20,469	-
Formosa Advanced Technologies Co., Ltd.	Stocks	Formosa Chemicals & Fibre Corp.	Formosa Advanced Technologies Co., Ltd.'s ultimate parent company	Available-for-sale financial assets - current	5,582,000	373,436	0.10	373,436	-
Formosa Advanced Technologies Co., Ltd.	Stocks	Nan Ya Technology Corp.	Formosa Advanced Technologies Co., Ltd.'s chairman is the issuer's director	Available-for-sale financial assets - current	1,214,557	98,379	0.05	98,379	-

Securities held by	Marketable securities		Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2014				Footnote
	Type	Name			Number of shares	Book value	Ownership (%)	Fair value	
Formosa Advanced Technologies Co., Ltd.	Stocks	Nan Ya Optical Corp.	Formosa Advanced Technologies Co., Ltd.'s chairman and the issuer's chairman are within second degree of kinship	Financial assets measured at cost - noncurrent	9,533,430	\$ 98,194	4.77	\$ -	-
Formosa Advanced Technologies Co., Ltd.	Stocks	Syntronix Corporation	-	Financial assets measured at cost - noncurrent	59,945	1,181	0.16	-	-
Formosa Advanced Technologies Co., Ltd.	Beneficiary certificates	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	27,586,096	401,096	-	401,096	-
Formosa Advanced Technologies Co., Ltd.	Beneficiary certificates	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	20,396,748	251,009	-	251,009	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, as defined in IAS 39" Financial instruments: Recognition and Measurement".

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

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

Note 4: Not a limited liability company and thus, not applicable.

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

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2014		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2014	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
The Company	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	31,340	\$ 500,000	31,340	\$ 500,486	\$ 500,000	\$ 486	-	\$ -
The Company	Hua Nan Kirin Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	119,162	1,400,000	119,162	1,401,285	1,400,000	1,285	-	-
The Company	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	127,998	1,900,000	127,998	1,901,605	1,900,000	1,605	-	-
The Company	Paradigm Pion Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	26,502	300,000	26,502	300,310	300,000	310	-	-
The Company	FSITC Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,729	1,700,000	9,729	1,701,090	1,700,000	1,090	-	-
The Company	Mega Diamond Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	40,736	500,000	40,736	500,159	500,000	159	-	-
The Company	SinoPac TWD Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	36,621	500,000	36,621	500,154	500,000	154	-	-

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2014		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2014	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
The Company	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	\$ -	65,055	\$ 1,000,000	65,055	\$ 1,000,465	\$ 1,000,000	\$ 465	-	\$ -
The Company	Stocks	Investments accounted for under equity method	Formosa Resources Corporation	Investments accounted for using equity method	300,000	3,025,362	116,250	1,162,500	-	-	-	-	416,250	4,149,947
The Company	Stocks	Investments accounted for under equity method	Formosa Petrochemical Corp.	Investments accounted for using equity method	2,371,706	59,592,253	-	-	48,907	3,744,168	1,129,263	2,614,905	2,322,799	65,522,071
The Company	Stocks	Investments accounted for under equity method	Formosa Ha Tinh Steel Corp.	Investments accounted for using equity method	-	15,242,663	-	-	-	15,294,027	15,294,027	-	-	-
The Company	Stocks	Investments accounted for under equity method	Formosa Ha Tinh (Cayman) Limited	Investments accounted for using equity method	-	-	508,237	15,294,027	-	-	-	-	508,237	15,294,027
Formosa Taffeta Co., Ltd.	Stocks	Investments accounted for under equity method	Formosa Ha Tinh Steel Corp.	Investments accounted for using equity method	-	5,123,419	-	-	-	5,089,575	5,056,754	32,821	-	-
Formosa Taffeta Co., Ltd.	Stocks	Investments accounted for under equity method	Formosa Ha Tinh (Cayman) Limited	Investments accounted for using equity method	-	-	171,009	5,089,575	-	-	-	-	171,009	5,089,575



Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2014		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2014	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Formosa Advanced Technologies Co., Ltd.	Jih Sun Money Market	Financial assets at fair value through profit or loss	-	-	-	\$ -	32,426	\$ 471,242	4,840	\$ 70,223	\$ 70,146	\$ 77	27,586	\$ 401,096
Formosa Advanced Technologies Co., Ltd.	Stocks	Available-for-sale financial assets - current	-	-	-	-	5,582	390,435	-	-	-	-	5,582	373,436

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

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

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

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

Note 5: Beginning balance plus/less addition/disposal during the period that does not agree with the ending balance was caused by gain/loss recognised using equity method or valuation adjustment.

Note 6: Beginning balance of shares plus/less addition/disposal during the period that does not agree with the ending balance was caused by receipt of stock dividend.

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

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more:

Real estate disposed by	Real estate	Transaction date or Date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
The Company	Land and buildings in Changhua Ta Chu	2014.03	During June 1978	\$ 18,872	\$ 648,836 (Note)	Fully collected	\$ 447,422	Natural person	Third party	Disposal of idle lands	Valuers' valuations	-

(Note) Gain/loss on disposal plus the carrying amount that does not agree with transaction amount was caused by deduction of cost of disposals.

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate disposed of should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by

10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Formosa Plastics Corp.	The Company's Chairman is the counterparty's director	Sales	(\$ 3,081,455)	( 1)	30 days	-	-	\$ 252,818	1	-
The Company	Nan Ya Plastics Corp.	The Company's Chairman is the counterparty's director	Sales	( 35,760,950)	( 12)	30 days	-	-	2,458,735	14	-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Sales	( 2,918,819)	( 1)	60 days	-	-	288,160	39	-
									296,047	2	-
The Company	Formosa Taffeta (Dong Nai) Co., Ltd.	Sub-subsidiary	Sales	( 248,161)	-	90 days after delivery	-	-	90,573	1	-
The Company	Formosa Petrochemical Corp.	Investee accounted for using equity method	Sales	( 35,402,965)	( 12)	30 days	-	-	1,983,882	11	-
The Company	Formosa Carpet Corp.	Subsidiary	Sales	( 114,038)	-	30 days	-	-	5,597	-	-
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Sub-subsidiary	Sales	( 9,693,506)	( 3)	90 days	-	-	1,408,365	8	-
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Sub-subsidiary	Sales	( 23,300,169)	( 8)	90 days	-	-	1,072,102	6	-
The Company	Formosa PS (Ningbo) Co., Ltd.	Sub-subsidiary	Sales	( 6,639,570)	( 2)	90 days	-	-	1,771,339	10	-
The Company	Formosa Industries Corp.	Subsidiary	Sales	( 4,352,854)	( 1)	30 days	-	-	442,237	3	-
The Company	PFG Fiber Glass Corp.	The Company's Chairman is the counterparty's director	Sales	( 449,700)	-	30 days	-	-	35,803	-	-
The Company	Nan Ya Plastics (America) Corp.	The Company's Chairman is the counterparty's director	Sales	( 108,281)	-	30 days	-	-	15,859	-	-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary	Sales	( 12,291,655)	( 4)	30 days	-	-	1,050,241	6	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Formosa Plastics Corp.	The Company's Chairman is the counterparty's director	Purchases	\$ 7,477,312	2	30 days	-	-	(\$ 571,112)	(4)	-
The Company	Nan Ya Plastics Corp.	The Company's Chairman is the counterparty's director	Purchases	8,695,039	2	30 days	-	-	(542,849)	(3)	-
The Company	Formosa Petrochemical Corp.	Investee accounted for using equity method	Purchases	177,833,055	50	30 days	-	-	(10,501,777)	(67)	-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary	Purchases	592,174	-	45 days	-	-	(62,439)	-	-
The Company	Formosa Industries Corp.	Subsidiary	Purchases	170,652	-	30 days	-	-	(20,991)	-	-
The Company	Formosa BP Chemicals Corp.	Subsidiary	Purchases	1,097,044	-	30 days	-	-	(103,760)	(1)	-
Formosa Idemitsu Petrochemical Corp.	The Company	Parent company	Sales	(592,174)	(5)	30 days	-	-	62,439	11	-
Formosa Idemitsu Petrochemical Corp.	Idemitsu Kosan Co., Ltd.	Recognises Formosa Idemitsu Petrochemical Corp. accounted for using equity method	Sales	(338,742)	(3)	30 days after the closing day	-	-	52,461	9	-
Formosa BP Chemicals Corp.	The Company	Parent company	Sales	(1,097,044)	(18)	30 days	-	-	103,760	11	-
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Formosa Petrochemical Corp. is Formosa BP Chemicals Corp.'s ultimate parent company's investee accounted for using equity method	Sales	(964,113)	(16)	30 days	-	-	51,548	6	-
Formosa BP Chemicals Corp.	BP Chemicals (Malaysia)SDN Corp.	Affiliated company	Sales	(1,142,295)	(19)	90 days after delivery	-	-	349,243	-	-
Formosa BP Chemicals Corp.	Nan Ya Plastics Corp.	The ultimate parent company Formosa Chemicals & Fibre Corp.'s chairman is the counterparty's director	Sales	(163,181)	(3)	15 days	-	-	12,539	38	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Formosa Power (Ningbo) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd.	Same parent company	Sales	(\$ 748,401)	( 10)	30 days	-	-	\$ 77,951	9	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Same parent company	Sales	( 1,798,839)	( 25)	30 days	-	-	198,831	24	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Acrylic Esters (Ningbo) Co., Ltd.	The ultimate parent company Formosa Chemicals & Fibre Corp.'s chairman is the director of the counterparty's ultimate parent company (Formosa Plastics Corp.)	Sales	( 597,147)	( 8)	30 days	-	-	65,118	8	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Polypropylene (Ningbo) Co., Ltd.	The ultimate parent company Formosa Chemicals & Fibre Corp.'s chairman is the director of the counterparty's ultimate parent company (Formosa Plastics Corp.)	Sales	( 680,061)	( 9)	30 days	-	-	75,745	9	-
Formosa Power (Ningbo) Co., Ltd.	Formosa ABS Plastics (Ningbo) Co., Ltd.	The ultimate parent company Formosa Chemicals & Fibre Corp.'s chairman is the director of the counterparty's ultimate parent company (Formosa Plastics Corp.)	Sales	( 382,869)	( 5)	30 days	-	-	50,594	6	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Formosa Power (Ningbo) Co., Ltd.	Formosa PS (Ningbo) Co., Ltd.	The ultimate parent company Formosa Chemicals & Fibre Corp.'s chairman is the director of the counterparty's ultimate parent company (Formosa Plastics Corp.)	Sales	(\$ 107,102)	( 1)	30 days	-	-	\$ 11,408	1	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	The ultimate parent company's chairman is the director of the counterparty's parent company	Sales	( 116,748)	( 2)	15 days after monthly billings	-	-	22,882	-	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Corp.	Affiliated company	Sales	( 110,719)	( 2)	30 days	-	-	11,410	1	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Ningbo) Corp.	The ultimate parent company's chairman is the director of the counterparty's parent company	Sales	( 330,771)	-	15 days after monthly billings	-	-	14,511	-	-
Formosa Industries Corp.	The Company	Parent company	Sales	( 170,652)	( 1)	30 days	-	-	20,990	1	-
Formosa Industries Corp.	Formosa Taffeta (Zhong Shan) Co., Ltd.	Same parent company	Sales	( 145,230)	( 1)	90 days after delivery	-	-	41,853	2	-
Formosa Industries Corp.	Formosa Taffeta (Dong Nai) Co., Ltd.	Same parent company	Sales	( 580,433)	( 2)	90 days after delivery	-	-	-	-	-
Formosa Industries Corp.	Formosa Taffeta (Vietnam) Co., Ltd.	Same parent company	Sales	( 307,038)	( 1)	90 days after delivery	-	-	-	-	-
Formosa BP Chemicals Corp.	Formosa Petrochemical Corp.	Formosa Petrochemical Corp. is Formosa BP Chemicals Corp.'s ultimate parent company's investee accounted for using equity method	Purchases	2,813,373	65	45 days	-	-	( 135,538)	( 93)	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Formosa ABS Plastics (Ningbo) Co., Ltd.	Formosa Plastics Corp.	The chairman of Formosa ABS Plastics (Ningbo) Co., Ltd.'s ultimate parent company is the counterparty's director	Purchases	\$ 5,752,524	29	90 days	-	-	(\$ 940,572)	( 33)	-
Formosa ABS Plastics (Ningbo) Co., Ltd.	Formosa Petrochemical Corp.	Ultimate parent company's investee accounted for using equity method	Purchases	930,796	5	90 days	-	-	( 55,766)	( 2)	-
Formosa Industries Corp.	Nan Ya Plastics Corp.	Accounts Formosa Industries Corp., Vietnam as an investee using equity method	Purchases	4,079,506	17	30 days	-	-	( 1,499,896)	( 49)	-
Formosa Idemitsu Petrochemical Corp.	The Company	Parent company	Purchases	12,291,655	100	30 days	-	-	( 1,050,241)	( 100)	-
Formosa ABS Plastics (Ningbo) Co., Ltd.	The Company	Parent company	Purchases	9,693,506	48	90 days	-	-	( 1,408,365)	( 50)	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	The Company	Parent company	Purchases	23,300,169	84	90 days	-	-	( 1,072,102)	( 78)	-
Formosa PS (Ningbo) Co., Ltd.	The Company	Parent company	Purchases	6,639,570	71	90 days	-	-	( 1,771,339)	( 97)	-
Formosa PS (Ningbo) Co., Ltd.	Formosa Power (Ningbo) Co., Ltd.	Same parent company	Purchases	107,102	1	30 days	-	-	11,408	1	-
Formosa Industries Corp.	The Company	Parent company	Purchases	4,352,854	18	30 days	-	-	( 442,237)	( 14)	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Formosa Carpet Corp.	The Company	Subsidiary	Purchases	\$ 114,038	40	30 days	-	-	(\$ 5,597)	( 43)	-
Formosa ABS Plastics (Ningbo) Co., Ltd.	Formosa Power (Ningbo) Co., Ltd.	Same parent company	Purchases	748,401	4	30 days	-	-	( 77,951)	( 3)	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Formosa Power (Ningbo) Co., Ltd.	Same parent company	Purchases	1,798,839	6	30 days	-	-	( 198,831)	( 15)	-
Formosa Taffeta Co., Ltd.	Kuang Yueh Co., Ltd.	Formosa Taffeta Co., Ltd.'s investee accounted for using equity method	Sales	( 674,340)	( 2)	Pay by mail transfer 60 days after delivery	-	-	Accounts receivable 128,071 Other receivables 216	5 -	-
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Formosa Taffeta Co., Ltd.'s investee accounted for using equity method	Sales	( 601,334)	( 2)	120 days after delivery	-	-	38,117	1	-
Formosa Taffeta Co., Ltd.	Formosa Carbon (JP) Co., Ltd.	Formosa Taffeta Co., Ltd.'s managing director and the counterparty's person in charge are within first degree of kinship	Sales	( 351,249)	( 1)	120 days after delivery	-	-	-	-	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Formosa Taffeta Co., Ltd.'s investee accounted for using equity method	Sales	( 105,206)	-	120 days after delivery	-	-	16,664	1	-
Formosa Taffeta Co., Ltd.	The Company	Formosa Taffeta Co., Ltd.'s parent company	Sales	( 151,778)	( 1)	Pay by mail transfer 60 days after delivery	-	-	6,770	-	-
Formosa Taffeta Co., Ltd.	Formosa Petrochemical Corp.	Related party in substance	Purchases	13,651,099	54	Pay every half of month by mail transfer	-	-	( 604,104)	( 37)	-

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Formosa Taffeta Co., Ltd.	The Company	Formosa Taffeta Co., Ltd.'s parent company	Purchases	\$ 2,918,819	12	Draw promissory notes due in 2 months after inspection	-	-	Notes payable (\$ 288,160) Accounts payable (296,047)	( 65) ( 18)	-
Formosa Taffeta Co., Ltd.	Nan Ya Plastics Corp.	Formosa Taffeta Co., Ltd.'s director is the counterparty's managing director	Purchases	954,748	4	Pay at 15th of the following month by mail transfer	-	-	( 82,115)	( 5)	-
Formosa Taffeta Co., Ltd.	Formosa Plastics Corp.	Formosa Taffeta Co., Ltd.'s chairman is the counterparty's managing director and legal representative	Purchases	393,679	2	Pay at 15th of the following month by mail transfer	-	-	( 31,450)	( 2)	-
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Formosa Advanced Technologies Co., Ltd.'s chairman is the counterparty's director	Sales	( 5,463,106)	( 59)	60 days after monthly billings	-	-	1,080,359	57	-
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	Formosa Advanced Technologies Co., Ltd.'s chairman is the counterparty's director	Purchases	239,861	7	45 days after monthly billings	-	-	( 19,540)	( 4)	-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.'s parent company and Formosa Taffeta (Zhong Shan) Co., Ltd are affiliates	Sales	( 270,016)	( 14)	60 days after monthly billings	-	-	92,108	29	-
Formosa Taffeta (Zhong Shan) Co., Ltd.	Formosa Industries Corp., Vietnam	Formosa Industries Corp., Vietnam's parent company and Formosa Taffeta (Zhong Shan) Co., Ltd. are affiliates	Purchases	140,592	12	60 days after monthly billings	-	-	( 12,787)	( 10)	-



Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Formosa Taffeta (Vietnam) Co., Ltd.	Formosa Industries Corp., Vietnam	Formosa Industries Corp., Vietnam is the parent company's investee accounted for using equity method	Purchases	\$ 303,453	24	60 days after monthly billings	-	-	(\$ 33,074)	( 37)	-
Formosa Taffeta (Vietnam) Co., Ltd.	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.'s parent company	Sales	( 137,408)	( 8)	60 days after monthly billings	-	-	48,329	25	-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.'s parent company and Formosa Taffeta (Dong Nai) Co., Ltd. are affiliates	Sales	( 212,695)	( 8)	60 days after monthly billings	-	-	32,460	6	-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.'s parent company	Sales	( 256,127)	( 10)	60 days after monthly billings	-	-	35,850	6	-
Formosa Taffeta (Dong Nai) Co., Ltd.	Formosa Industries Corp., Vietnam	Formosa Industries Corp., Vietnam is the parent company's investee accounted for using equity method	Purchases	615,001	26	60 days after monthly billings	-	-	( 38,227)	( 23)	-
Formosa Taffeta (Dong Nai) Co., Ltd.	The Company	Formosa Taffeta (Dong Nai) Co., Ltd.'s parent company	Purchases	192,454	8	60 days after monthly billings	-	-	( 19,009)	( 11)	-

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2014	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
The Company	Formosa Plastics Corp.	The Company's Chairman is the counterparty's director	\$ 252,818	14.39	\$ -	-	\$ 252,818	-
The Company	Nan Ya Plastics Corp.	The Company's Chairman is the counterparty's director	2,458,735	17.33	-	-	2,458,735	-
The Company	Formosa Taffeta Co., Ltd.	Subsidiary	Notes receivable 288,160	6.90	-	-	-	-
			Accounts receivable 296,047					
The Company	Formosa Petrochemical Corp.	Investees accounted for using equity method	1,983,882	14.90	-	-	1,983,882	-
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Sub-subsidiary	1,408,365	5.68	-	-	799,102	-
The Company	Formosa Industries Corp.	Subsidiary	Accounts receivable 442,237	14.02	-	-	224,074	-
			Other receivables 206,826					
The Company	Formosa PS (Ningbo) Co., Ltd.	Sub-subsidiary	1,771,339	4.97	-	-	470,060	-
The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Sub-subsidiary	1,072,102	11.93	-	-	-	-
The Company	Formosa Ha Tinh Steel Corp.	Investees accounted for using equity method	Other receivables 9,046,000	-	-	-	1,105,732	-
The Company	Formosa Idemitsu Petrochemical Corp.	Subsidiary	1,050,241	14.99	-	-	1,050,241	-
Formosa BP Chemicals Corp.	BP Chemicals (Malaysia) SDN Corp.	Affiliated company	349,243	7.00	-	-	112,175	-
Formosa BP Chemicals Corp.	Formosa Chemicals & Fibre Corp.	The Company's director is the counterparty's Chairman	103,760	25.72	-	-	84,821	-
Formosa Power (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Co., Ltd.	Same parent company	198,831	18.06	-	-	198,831	-
Formosa Taffeta Co., Ltd.	Kuang Yueh Co., Ltd.	Investees accounted for using equity method	Accounts receivable 128,071	6.04	-	-	107,198	-
			Other receivables 216					
Formosa Advanced Technologies Co., Ltd.	Nan Ya Technology Corp.	The Company's Chairman is the counterparty's director	1,080,359	5.69	-	-	472,509	-

I. Derivative financial instruments undertaken: Please refer to Notes 6(2),(11) and 12(2), (3).

J. Significant inter-company transactions:

Year ended December 31, 2013

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	1	Sales revenue	\$ 30,867,566	in accordance with general conditions	7

Year ended December 31, 2014

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	The Company	Formosa Chemicals Industries (Ningbo) Co., Ltd.	1	Sales revenue	\$ 23,300,169	in accordance with general conditions	6

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

(1)Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

Note 4: Materiality principle is when transaction amounts reach 3% of the total revenue or total assets.

(2) Information on investees

The information such as the investees' name, location...etc are as below; (not including investees in Mainland China)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares (Note 1)	Ownership (%)	Book value			
The Company	Tah Shin Spinning Corp.	Taiwan	Spinning	\$ 85,188	\$ 85,188	18,467,619	86.40	\$ 158,380	(\$ 6,934)	\$ 2,707	-
The Company	Formosa Taffeta Co., Ltd.	Taiwan	Spinning	719,003	719,003	630,022,431	37.40	18,141,088	3,431,826	1,272,694	-
The Company	Formosa Heavy Industries Corp.	Taiwan	Machinery	2,497,721	2,497,721	589,246,095	32.91	8,019,052	2,102,363	702,948	-
The Company	Formosa Fairway Corporation	Taiwan	Transportation	33,320	33,320	4,252,038	33.33	73,583	4,415	1,472	-
The Company	Formosa Plastics Transport Corp.	Taiwan	Transportation	17,255	17,255	3,992,997	33.33	694,375	87,118	29,036	-
The Company	Formosa Petrochemical Corp.	Taiwan	Chemistry	25,842,468	26,386,607	2,322,799,801	24.38	58,478,488	9,065,576	2,529,840	-
The Company	Mai-Liao Power Corp.	Taiwan	Electricity generation	5,985,531	5,985,531	498,842,000	24.94	11,427,146	6,534,496	1,629,816	-
The Company	FCFC Investment Corp. (Cayman)	Cayman Islands	Investments	18,443,886	18,443,886	84,000	100.00	36,544,786	( 2,872,178)	( 2,872,178)	-
The Company	Hwa Ya Science Park Management Consulting Co, Ltd.	Taiwan	Management	340	340	33,000	33.00	2,142	1,030	340	-
The Company	Chia-Nan Enterprise Corporation	Taiwan	Electricity generation	225,034	225,034	12,448,800	30.00	262,102	55,439	16,632	-
The Company	Formosa Idemitsu Petrochemical Corp.	Taiwan	Wholesale and retail of petrochemical and plastic raw materials	299,999	299,999	60,000,000	50.00	585,291	559,554	272,775	-
The Company	Formosa Industries Corp., Vietnam	Vietnam	Textile, polyester staple fibre, cotton	8,435,801	8,435,801	-	42.50	8,383,305	1,135,295	482,500	-

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares (Note 1)	Ownership (%)	Book value			
The Company	Formosa BP Chemicals Corp.	Taiwan	Chemistry, international of petrochemistry	\$ 1,201,500	\$ 1,201,500	120,150,000	50.00	\$ 1,222,038	\$ 286,559	\$ 129,871	-
The Company	Su Hua Transport Corp.	Taiwan	Transportation	50,000	50,000	7,658,750	25.00	180,078	80,841	20,211	-
The Company	Formosa Biomedical Technology Corp.	Taiwan	Manufacturing and sale of cosmetics	1,566,879	992,286	147,556,136	88.59	1,667,615	20,424	25,244	-
The Company	Formosa Environmental Technology Co.	Taiwan	Disposals of wastes and sewage	417,145	417,145	41,714,475	24.34	268,003	( 24,638)	( 5,997)	-
The Company	Formosa Carpet Corp.	Taiwan	Yarn spinning mills, finishing of textiles and carpet manufacturing	300,000	300,000	30,000,000	100.00	208,366	3,864	3,864	-
The Company	Formosa Ha Tinh Steel Corp. (Note 2)	Vietnam	Steelmaking	-	15,369,779	-	14.75	-	( 1,886,676)	( 204,077)	-
The Company	Formosa Ha Tinh (Cayman) Limited (Note 2)	Cayman Islands	Investments	15,369,779	-	-	14.75	15,764,631	( 2,508,690)	( 167,594)	-
The Company	Formosa Synthetic Rubber Corp.	Taiwan	Manufacturing of synthetic rubber	400,000	400,000	40,000,000	33.33	376,302	435	145	-
The Company	Formosa Synthetic Rubber (Hong Kong) Limited Co.	Hong Kong	Manufacturing of synthetic rubber	874,680	874,680	-	33.33	899,463	( 106,559)	( 35,516)	-
The Company	Formosa Resources Corporation	Taiwan	Mining industry and its trading, wholesale of chemical material and international trading	4,162,500	3,000,000	416,250,000	25.00	4,359,188	( 275,491)	( 68,873)	-
The Company	Formosa Group Corp. (Cayman)	Cayman Islands	Investments	377	377	-	25.00	21,941	82,599	20,650	-

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares (Note 1)	Ownership (%)	Book value			
The Company	Formosa Group Investment Corp. (Cayman)	Cayman Islands	Investments	\$ 377	\$ -	-	25.00	\$ 384	(\$ 47)	(\$ 12)	-
The Company	Formosa Construction Corp.	Taiwan	Development and sale of rebuilt housing, buildings and plants under urban redevelopment	15,000	-	1,500,000	33.33	14,559	( 1,366)	( 455)	-
FCFC Investment Corp. (Cayman)	Formosa Chemicals & Fibre (Hong Kong) Co., Ltd.	Hong Kong	Investments	14,391,099	14,391,099	-	100.00	25,790,091	( 4,436,819)	( 4,436,819)	-
Formosa Biomedical Technology Corp.	Beyoung International Corp.	Taiwan	International trading	90,000	90,000	360,000	30.00	93,688	11,452	3,456	-
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Taiwan	Recycle of spent catalyst	252,969	252,969	19,289,016	51.00	301,798	7,416	3,782	-
Formosa Biomedical Technology Corp.	Formosa Biomedical Technology (Samoa) Co., Ltd.	Samoa	Investments	29,610	29,610	-	100.00	19,624	( 5,195)	( 5,195)	-
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Taiwan	1.Handling urban land consolidation 2.Development, rent and sale of industrial plants, residences and building	114,912	114,912	16,100,000	100.00	215,977	59,353	54,321	-

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares (Note 1)	Ownership (%)	Book value			
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	\$ 3,773,440	\$ 3,773,440	290,464,472	65.68	\$ 6,189,244	\$ 843,427	\$ 554,242	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co., Ltd.	Hong Kong	Sale of spun fabrics and filament textile	1,356,862	900,337	-	100.00	1,059,432	3,213	3,213	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	Vietnam	Production, processing, further processing various yam and cotton cloth, dyeing and finishing clothes, curtains, towels, bed covers and carpets	1,709,221	1,709,221	-	100.00	1,464,295	145,152	145,152	-
Formosa Taffeta Co., Ltd.	Kuang Yueh Co., Ltd.	Taiwan	Processing and producing of ready-to-wear, processing and trading of cotton cloth, and import and export of the aforementioned products	213,771	94,617	16,169,872	20.16	844,400	914,818	185,434	-
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Hong Kong	Trading of textiles	2,958	2,958	-	43.00	18,884	20,855	8,968	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Dong Nai) Co., Ltd.	Vietnam	Production, processing and sale of various dyeing and finishing textiles and yarn	2,590,434	2,124,723	-	100.00	2,414,018	(13,316)	(13,316)	-

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares (Note 1)	Ownership (%)	Book value			
Formosa Taffeta Co., Ltd.	Formosa Industries Corp., Vietnam	Vietnam	Synthetic fiber, spinning, weaving, dyeing and finishing and electricity generation	\$ 1,987,122	\$ 1,987,122	-	10.00	\$ 2,065,036	\$ 1,135,295	\$ 113,529	-
Formosa Taffeta Co., Ltd.	Formosa Ha Tinh Steel Corp. (Note 2)	Vietnam	Steelmaking	-	5,150,283	-	-	-	( 1,886,676)	( 68,755)	-
Formosa Taffeta Co., Ltd.	Formosa Ha Tinh (Cayman) Limited (Note 2)	Cayman Islands	Investments	5,150,283	-	-	4.96	5,304,664	( 2,508,690)	( 56,392)	-
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Cayman) Co., Ltd.	Cayman Islands	Investments	605	-	-	100.00	568	( 64)	( 64)	-
Formosa Development Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Taiwan	IC assembly, testing and modules	21,119	21,119	469,500	0.11	21,748	843,427	762	-

Note 1: Certain companies are not limited liability companies and thus, not applicable.

Note 2: In response to Formosa Ha Tinh Steel Corporation's shareholding needs, the Company has signed an agreement of transferring capital contribution with Formosa Ha Tinh (Cayman) Limited in September 2014 to pay for investments in Formosa Ha Tinh (Cayman) Limited with the Company's original investment of NTD \$689,955 thousand in Formosa Ha Tinh Steel Corporation after reorganization . The Company indirectly holds Formosa Ha Tinh Steel Corporation through Formosa Ha Tinh (Cayman) Limited after the reorganization.



(3) Information on investments in Mainland China

A. Basic information.

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Net income of investee as of December 31, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2014 (Note 2)	Book value of investments in Mainland China as of December 31, 2014	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2014	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formosa ABS Plastics (Ningbo) Co., Ltd.	Sale of Acrylonitrile Butadiene Styrene (ABS)	\$ 5,618,707	2、4	\$ 4,682,741	\$ -	\$ -	\$ 4,682,741	(\$ 655,086)	100	(\$ 655,086)	\$ 8,117,694	\$ -	-
Formosa Power (Ningbo) Co., Ltd.	Cogeneration power generation business	4,834,511	2、4	4,051,414	-	-	4,051,414	1,564,812	100	1,564,812	10,759,895	-	-
Formosa Chemicals Industries (Ningbo) Co., Ltd.	Production and market of PTA	7,975,900	2、4	7,975,900	-	-	7,975,900	( 3,021,542)	100	( 3,021,542)	11,002,830	-	-
Formosa PS (Ningbo) Co., Ltd.	Sale of Polystyrene	1,732,458	2、4	1,732,458	-	-	1,732,458	( 566,386)	100	( 566,386)	2,214,735	-	-
Formosa Phenol (Ningbo) Limited Co.	Production and sale of phenol-acetone	4,453,788	2、4	-	-	-	-	( 193,805)	100	( 193,805)	4,454,832	-	-
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	Production and sale of synthetic rubber	2,912,368	2、4	874,680	-	-	874,680	( 106,559)	33	( 35,516)	899,463	-	-
Formosa Biomedical Trading (Shanghai) Co., Ltd.	Investments	29,610	2、4	29,610	-	-	29,610	( 5,195)	100	( 5,195)	19,624	-	-

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Net income of investee as of December 31, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2014 (Note 2)	Book value of investments in Mainland China as of December 31, 2014	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2014	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Formosa Taffeta (Zhong Shan) Co., Ltd.	Production and sale of polyester and polyamide fabrics	\$ 1,402,085	1	\$ 1,402,085	\$ -	\$ -	\$ 1,402,085	(\$ 1,343)	100	(\$ 1,343)	\$ 1,732,666	\$ -	-
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Import and export, entrepot trade, merchandise export processing, warehousing and design and drawing of black and white and colour graphs	15,273	1	15,273	-	-	15,273	373	100	373	11,937	-	-
Formosa Taffeta (Changshu) Co., Ltd.	Weaving and dyeing as well as post dressing of high-grade loomage face fabric	1,334,739	2、4	878,214	456,525	-	1,334,739	1,337	100	1,337	1,005,438	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note3)
The Company	\$ 19,317,193	\$ 31,292,979	\$ -

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

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

(3)Others

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

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

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

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

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

Note 2: Recognised based on valuation in financial statements audited by investee companies' independent accountants.

Note 3: Corporations that qualify with operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas.

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2014	%	Balance at December 31, 2014	Purpose	Maximum balance during the year ended December 31, 2014	Balance at December 31, 2014	Interest rate	Interest during the year ended December 31, 2014	
Formosa Taffeta (Zhong Shan) Co., Ltd.	\$ 40,038	0.12	\$ -	-	\$ 4,980	0.19	\$ 2,532,000	For short-term loans from financial institutions	\$ -	\$ -	-	\$ -	-
Formosa Taffeta (Changshu) Co., Ltd.	105,206	0.32	-	-	16,664	0.62	2,985,490	For short-term loans from financial institutions	-	-	-	-	-

#### 14. SEGMENT INFORMATION

##### (1) General information

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

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

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

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

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

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

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

##### (2) Measurement of segment information

The Group has not yet allocated tax expenses or non-recurring gains and losses to reportable segments. Furthermore, not all reportable segments' profit or loss include significant non-cash items besides depreciation and amortisation. The reporting amount is in accordance with the amount in reports for operating decision-maker.

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

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

For the year ended December 31, 2013

	1st	2nd	3rd		Formosa	Formosa			
	Petrochemical	Petrochemical	Petrochemical		Formosa	Advanced			
	Div	Div	Div	Plastics Division	Taffeta	Technologies	Other divisions	Reconciliation	Total
					Co., Ltd.	Co., Ltd.		and offset	
External revenue	\$ 95,880,238	\$ 47,416,716	\$ 84,450,600	\$ 111,630,413	\$ 32,664,788	\$ 8,667,155	\$ 47,290,024	\$ -	\$ 427,999,934
Internal revenue	97,557,611	49,541,394	3,064,942	13,551,519	468,927	-	31,676,060	( 195,860,453)	-
Total income	<u>\$ 193,437,849</u>	<u>\$ 96,958,110</u>	<u>\$ 87,515,542</u>	<u>\$ 125,181,932</u>	<u>\$ 33,133,715</u>	<u>\$ 8,667,155</u>	<u>\$ 78,966,084</u>	<u>(\$ 195,860,453)</u>	<u>\$ 427,999,934</u>
Inter-segment profit (loss)	<u>\$ 11,324,566</u>	<u>\$ 6,003,249</u>	<u>(\$ 4,261,097)</u>	<u>\$ 351,637</u>	<u>\$ 2,430,312</u>	<u>\$ 201,030</u>	<u>\$ 16,050,831</u>	<u>(\$ 1,793,701)</u>	<u>\$ 30,306,827</u>
Segment income									
(loss) includes:									
Total depreciation and amortisation	<u>\$ 4,383,755</u>	<u>\$ 2,181,989</u>	<u>\$ 3,963,437</u>	<u>\$ 3,080,014</u>	<u>\$ 926,942</u>	<u>\$ 2,558,095</u>	<u>\$ 5,241,479</u>	<u>\$ -</u>	<u>\$ 22,335,711</u>
Interest expense	<u>\$ 472,673</u>	<u>\$ 257,547</u>	<u>\$ 384,845</u>	<u>\$ 518,279</u>	<u>\$ 116,070</u>	<u>\$ 14,728</u>	<u>\$ 911,942</u>	<u>(\$ 55,318)</u>	<u>\$ 2,620,766</u>
Investment income accounted for under equity method									<u>\$ 9,116,739</u>
Not included in segments' income measurement, but regularly provided to operating decision-maker:									
Income tax expense									<u>(\$ 3,628,303)</u>
Total assets of segments	<u>\$ 49,537,988</u>	<u>\$ 24,630,871</u>	<u>\$ 51,754,202</u>	<u>\$ 53,122,941</u>	<u>\$ 68,415,177</u>	<u>\$ 9,359,804</u>	<u>\$ 352,553,930</u>	<u>(\$ 83,685,727)</u>	<u>\$ 525,689,186</u>

For the year ended December 31, 2014

	1st	2nd	3rd		Formosa	Formosa			
	Petrochemical	Petrochemical	Petrochemical	Plastics Division	Taffeta	Advanced		Reconciliation	Total
	Div	Div	Div		Co., Ltd.	Technologies	Other divisions	and offset	
External revenue	\$ 87,427,374	\$ 45,406,826	\$ 71,867,557	\$ 108,741,142	\$ 31,989,026	\$ 9,204,384	\$ 46,817,430	\$ -	\$ 401,453,739
Internal revenue	83,759,155	43,639,533	3,151,418	13,632,748	853,258	-	31,698,818	( 176,734,930)	-
Total income	<u>\$ 171,186,529</u>	<u>\$ 89,046,359</u>	<u>\$ 75,018,975</u>	<u>\$ 122,373,890</u>	<u>\$ 32,842,284</u>	<u>\$ 9,204,384</u>	<u>\$ 78,516,248</u>	<u>(\$ 176,734,930)</u>	<u>\$ 401,453,739</u>
Inter-segment profit (loss)	<u>(\$ 583,739)</u>	<u>\$ 1,536,827</u>	<u>(\$ 5,044,924)</u>	<u>\$ 1,008,141</u>	<u>\$ 3,574,795</u>	<u>\$ 1,071,404</u>	<u>\$ 13,603,043</u>	<u>\$ 528,885</u>	<u>\$ 15,694,432</u>
Segment income									
(loss) includes:									
Total depreciation and amortisation	<u>\$ 3,963,774</u>	<u>\$ 2,110,514</u>	<u>\$ 3,726,184</u>	<u>\$ 2,701,473</u>	<u>\$ 874,998</u>	<u>\$ 1,962,718</u>	<u>\$ 4,941,464</u>	<u>\$ -</u>	<u>\$ 20,281,125</u>
Interest expense	<u>\$ 455,508</u>	<u>\$ 255,946</u>	<u>\$ 331,798</u>	<u>\$ 549,359</u>	<u>\$ 136,054</u>	<u>\$ 1</u>	<u>\$ 908,253</u>	<u>(\$ 52,224)</u>	<u>\$ 2,584,695</u>
Investment income accounted for under equity method									\$ 4,532,308
Not included in segments' income measurement, but regularly provided to operating decision-maker:									
Income tax expense									(\$ 1,673,291)
Total assets of segments	<u>\$ 38,200,572</u>	<u>\$ 21,213,401</u>	<u>\$ 43,453,583</u>	<u>\$ 52,252,504</u>	<u>\$ 66,564,045</u>	<u>\$ 10,529,167</u>	<u>\$ 377,978,758</u>	<u>(\$ 79,413,467)</u>	<u>\$ 530,778,563</u>

(4) Reconciliation for segment income (loss)

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

(5) Information on product and service

	For the years ended December 31,	
	2013	2014
Sales revenue	\$ 427,095,629	\$ 400,283,820
Service revenue	606,141	741,523
Other operating revenue	298,164	428,396
	<u>\$ 427,999,934</u>	<u>\$ 401,453,739</u>

(6) Geographical information

Geographical information for the years ended December 31, 2013 and 2014 is as follows:

	For the years ended December 31,			
	2013		2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 185,158,597	\$ 96,733,350	\$ 172,774,228	\$ 84,012,534
China	187,098,264	47,506,246	168,570,737	51,031,273
Others	55,743,073	16,625,936	60,108,774	19,711,899
	<u>\$ 427,999,934</u>	<u>\$ 160,865,532</u>	<u>\$ 401,453,739</u>	<u>\$ 154,755,706</u>

(7) Major customer information

The Revenue information of customers accounting for more than 10% of sales revenue in the statement of comprehensive income for the years ended December 31, 2013 and 2014 is as follows:

	For the years ended December 31,			
	2013		2014	
	Revenue	Segment	Revenue	Segment
Nan Ya	\$ 5,795,942	1st Petrochemical Div	\$ 4,421,158	1st Petrochemical Div
Nan Ya	16,462,528	2nd Petrochemical Div	17,011,139	2nd Petrochemical Div
Nan Ya	14,505,423	3rd Petrochemical Div	11,445,913	3rd Petrochemical Div
Nan Ya	1,124,090	Plastic	1,065,480	Plastic
Nan Ya	28,552	FTC	55,542	FTC
Nan Ya	1,907,004	Others	2,285,882	Others
Su Hua	40,796,617	1st Petrochemical Div	35,191,854	1st Petrochemical Div
Su Hua	1,381,769	Others	1,289,460	Others
	<u>\$ 82,001,925</u>		<u>\$ 72,766,428</u>	