IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Offering Circular attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer and the Guarantor Groups as a result of such access. You acknowledge that the access to the attached Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

Confirmation of Your Representation: This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited (Bank of China (Hong Kong) Limited together with The Hongkong and Shanghai Banking Corporation Limited, the "**Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners**"), Australia and New Zealand Banking Group Limited and Mizuho Securities Asia Limited (Australia and New Zealand Banking Group Limited together with Mizuho Securities Asia Limited, the "**Joint Lead Managers and Joint Bookrunners**"), DBS Bank Ltd., Merrill Lynch International, Standard Chartered Bank and UBS AG, Hong Kong Branch (DBS Bank Ltd., Merrill Lynch International, Standard Chartered Bank and UBS AG, Hong Kong Branch together, the "**Co-Managers**", and Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Australia and New Zealand Banking Group Limited, Mizuho Securities Asia Limited, DBS Bank Ltd., Merrill Lynch International, Standard Chartered Bank and UBS AG, Hong Kong Branch together, the "**Managers**") that: (1) you and any customers that you represent are not, and the e-mail address that you provided and to which this e-mail has been delivered is not, located in the United States, its territories or its possessions, AND (2) you consent to delivery of this Offering Circular and any amendments or supplements thereto by electronic transmission.

This Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of Formosa Group (Cayman) Limited (the "**Issuer**"), Formosa Plastics Corporation ("**Formosa Plastics**"), Nan Ya Plastics Corporation ("**Nan Ya Plastics**"), Formosa Chemicals & Fibre Corporation ("**Formosa Chemicals & Fibre**"), Formosa Petrochemical Corporation ("**Formosa Petrochemical**", and together with Formosa Plastics, Nan Ya Plastics and Formosa Chemicals & Fibre, the "**Guarantors**"), the Managers, the Trustee or the Agents (as defined in the attached Offering Circular) nor their respective directors, officers, employees, representatives, agents and each person who controls any of them nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version made available to you on request from the Managers.

Restrictions: The attached document is in preliminary form and is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer or the Managers to subscribe or purchase any of the securities described therein, and access has been limited so that it shall not constitute directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the issuer of the securities in such jurisdiction. You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

FORMOSA GROUP (CAYMAN) LIMITED

(incorporated in the Cayman Islands with limited liability)

U.S.$1,000,000,000 3.375 per cent. Guaranteed Notes due 2025 unconditionally and irrevocably guaranteed by

FORMOSA PLASTICS CORPORATION

(incorporated in the Republic of China with limited liability)

NAN YA PLASTICS CORPORATION

(incorporated in the Republic of China with limited liability)

FORMOSA CHEMICALS & FIBRE CORPORATION

(incorporated in the Republic of China with limited liability)

FORMOSA PETROCHEMICAL CORPORATION

(incorporated in the Republic of China with limited liability)

Issue Price: 99.546 per cent.

The U.S.$1,000,000,000 3.375 per cent. Guaranteed Notes due 2025 (the "**Notes**") will be issued by Formosa Group (Cayman) Limited (the "**Issuer**") and will be unconditionally and irrevocably guaranteed on a several basis (the "**Guarantee**") by Formosa Plastics Corporation, Nan Ya Plastics Corporation, Formosa Chemicals & Fibre Corporation and Formosa Petrochemical Corporation (together, the "**Guarantors**", and each a "**Guarantor**"). The Notes will be direct, unsubordinated, unconditional and (subject to Condition 4 of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 of the Terms and Conditions of the Notes, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations. The payment obligations of each Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 of the Terms and Conditions of the Notes, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Interest on the Notes is payable semi-annually in arrear on 22 April and 22 October in each year (each an "**Interest Payment Date**"), commencing on 22 October 2015. All payments of principal and interest by or on behalf of the Issuer or the Guarantors in respect of the Notes or under the Guarantee shall be made free and clear of and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or the Republic of China ("**ROC**") to the extent described under "*Terms and Conditions of the Notes – Taxation*".

The Notes will mature on 22 April 2025 at their principal amount unless previously redeemed or purchased and cancelled. The Notes are subject to redemption in whole, but not in part, at their principal amount (together with interest accrued to the date fixed for redemption), at the option of the Issuer at any time in the event of certain changes affecting taxes of the Cayman Islands (in the case of the Issuer) or the ROC (in the case of any Guarantor) or, in each case, any political subdivision or any authority thereof or therein having power to tax. See "*Terms and Conditions of the Notes – Redemption and Purchase*".

The Notes will be issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Investing in the Notes involves certain risks. See "*Risk Factors*" starting from page 25 for a description of certain factors to be considered in connection with an investment of the Notes.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered, sold or delivered within the United States. The Notes and the Guarantee are being offered only outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantors, their respective subsidiaries and associated companies or the Notes.

The Notes are expected to be rated "BBB+" by Standard & Poor's Ratings Services ("**S&P**"). Such rating of the Notes does not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by S&P. Such rating should be evaluated independently of any other rating of the other securities of the Issuer or any Guarantor, or of the Issuer or any Guarantor.

The Notes will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about 22 April 2015 (the "**Issue Date**") with, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Bank of China (Hong Kong) **HSBC**

Joint Lead Managers and Joint Bookrunners

Bank of China (Hong Kong) **HSBC** **ANZ** **Mizuho Securities**

Co-Managers

BofA Merrill Lynch **DBS Bank Ltd.** **Standard Chartered Bank** **UBS**

Offering Circular dated 14 April 2015

IMPORTANT NOTICE

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, ANY GUARANTOR OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

Each of the Issuer and the Guarantors, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, each Guarantor, each Guarantors and its subsidiaries (the "**Guarantor Groups**", and each a "**Guarantor Group**") and the Notes and the Guarantee, which are material in the context of the issue and offering of the Notes and the Guarantee, (ii) the statements contained in it relating to the Issuer, each Guarantor, each Guarantor Group and the Notes and the Guarantee are in every material particular true and accurate and not misleading, (iii) the statements of intention, opinion and belief or expectation expressed in this Offering Circular with regard to the Issuer and each Guarantor Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, each Guarantor, each Guarantor Group or the Notes and the Guarantee the omission of which would, in the context of the issue and offering of the Notes and the Guarantee, make any statement in this Offering Circular misleading in any material respect, and (v) all reasonable enquiries have been made by the Issuer and each Guarantor to ascertain such facts and to verify the accuracy of all such information and statements relating to the Issuer, each Guarantor, each Guarantor Group and the Notes and the Guarantee.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of the Notes is not to be taken as an indication of the merits of the Issuer, the Guarantors, the Guarantor Groups and the Notes.

This Offering Circular is highly confidential and has been prepared by the Issuer and the Guarantors solely for use in connection with the proposed offering of the Notes described in this Offering Circular.

None of the Issuer, the Guarantors, Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited (Bank of China (Hong Kong) Limited together with The Hongkong and Shanghai Banking Corporation Limtied, the "**Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners**"), Australia and New Zealand Banking Group Limited and Mizuho Securities Asia Limited (Australia and New Zealand Banking Group Limited together with Mizuho Securities Asia Limited, the "**Joint Lead Managers and Joint Bookrunners**"), DBS Bank Ltd., Merrill Lynch International, Standard Chartered Bank and UBS AG, Hong Kong Branch (DBS Bank Ltd., Merrill Lynch International, Standard Chartered Bank and UBS AG, Hong Kong Branch together, the "**Co-Managers**", and Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Australia and New Zealand Banking Group Limited, Mizuho Securities Asia Limited, DBS Bank Ltd., Merrill Lynch International, Standard Chartered Bank and UBS AG, Hong Kong Branch together, the "**Managers**") is making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. None of the Issuer, the Guarantors and the Managers represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantors or the Managers which is intended to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantors and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Circular see "*Subscription and Sale*". By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Prospective investors may not reproduce or distribute this Offering Circular, in whole or in part, and may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering an investment in the Notes. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without prior written consent of the Issuer and the Guarantors, is prohibited. By accepting delivery of this Offering Circular, each prospective investor agrees to the foregoing and to make no photocopies or other reproduction of this Offering Circular.

Each prospective investor in the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Guarantors and the Managers shall have any responsibility therefor.

Prospective investors in the Notes should rely only on the information contained in this Offering Circular. None of the Issuer, the Guarantors, the Managers, the Trustee (as defined in the Terms and Conditions of the Notes) or the Agents (as defined in the Terms and Conditions of the Notes) has authorized the provision of information different from that contained in this Offering Circular, to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by or on behalf of the Issuer, any Guarantor, any Manager, the Trustee or the Agents.

No representation or warranty, express or implied, is made by the Managers, the Trustee, the Agents or any of their respective officers, employees, affiliates, advisors, agents or representatives as to the accuracy or completeness of the information contained herein, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Managers, the Trustee or the Agents. None of the Managers, the Trustee and the Agents and their respective officers, employees, affiliates, advisors, agents and representatives has independently verified the information contained herein (financial, legal or otherwise) and, to the fullest extent permitted by law, none of them assumes any responsibility for the contents, accuracy or completeness of any such information or for any other statement, made or purported to be made by the Managers or on their behalf in connection with the Issuer, the Guarantors, any Guarantor Group, the Guarantee or the issue and offering of the Notes. Each of the Managers, the Trustee and the Agents and their respective officers, employees, affiliates, advisors, agents and representatives accordingly disclaims all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Circular or any such statement. The information contained in this Offering Circular is accurate in all material respects only as at the date of this Offering Circular, regardless of the time of delivery of this Offering Circular or of any sale of the Notes.

Listing of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantors, the Guarantor Groups or the Notes. Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation (b) should be considered as a recommendation by the Issuer, the Guarantors, the Managers, the Trustee or the Agents that any recipient of this Offering Circular, or any other information supplied in connection with the offering of the Notes, should purchase the Notes. In making an investment decision, prospective investors must rely on their own independent examination of the Issuer, each Guarantor, each Guarantor Group and the terms of the offering, including the merits and risks involved. None of the Issuer, the Guarantors, the Managers, the Trustee or the Agents or any of their respective officers, employees, affiliates, advisors, agents or representatives is or are making any representation to prospective investors regarding the legality of an investment in the Notes by them under any legal, investment or similar laws or regulations. Prospective investors should not consider any information in this Offering Circular to be legal, business or tax advice. Investors should consult their own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILIZING MANAGER (THE "STABILIZING MANAGER") OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER OR ANY PERSON ACTING ON BEHALF OF THE STABLIZING MANAGER WILL UNDERTAKE ANY STABILIZATION ACTION. SUCH STABILIZATION ACTIONS IF COMMENCED MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILIZING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZING MANAGER, AND NOT FOR OR ON BEHALF OF THE ISSUER. ANY LOSS OR PROFIT SUSTAINED AS A CONSEQUENCE OF ANY SUCH OVER-ALLOTMENT OR STABILIZATION SHALL BE FOR THE ACCOUNT OF THE MANAGERS.

The Issuer and the Guarantors reserve the right to withdraw the offering of the Notes at any time. The Issuer, the Guarantors and the Managers also reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered hereby. Prospective investors should read this Offering Circular before making a decision whether to purchase the Notes.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN THE ROC

Each of the Guarantors is a company limited by shares and incorporated under the Company Law of the ROC (the "**ROC Company Law**"). Substantially all of the Guarantors' directors and executive officers, their supervisors and certain other parties named herein are residents of the ROC and a substantial portion of the assets of the Guarantors and such persons are located in the ROC. As a result, it may not be possible for investors to effect service of process upon the Guarantors or such persons outside of the ROC, or to enforce against any of them judgments obtained in courts outside of the ROC. Each Guarantor has been advised by AY Commercial Law Offices, their legal advisors in the ROC, that any final judgment obtained against it or such persons in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the Notes will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied that: (i) the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC; (ii) the judgment and the court procedures resulting in the judgment are not contrary to the public order or good morals of the ROC; (iii) if the judgment was rendered by default by the court rendering the judgment, (a) such Guarantor or such persons were served in the jurisdiction of such court within a reasonable period of time in accordance with the laws and regulations of such jurisdiction, or (b) process was served on such Guarantor or such persons with judicial assistance of the ROC; and (iv) judgments of the courts of the ROC are recognized in the court rendering the judgment on a reciprocal basis. Remittance out of the ROC of any amount recovered from enforcing a foreign judgment in the ROC is also subject to the Foreign Exchange Control Statute and regulations as described in "*Foreign Investment and Exchange Controls in the ROC*" herein.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

Except where the context otherwise requires, all references herein to the "**Guarantors**" are references to Formosa Plastics, Nan Ya Plastics, Formosa Chemicals & Fibre and Formosa Petrochemical, all references herein to "**Guarantor Group**" are to a Guarantor and its subsidiaries, all references herein to "**Formosa Plastics**" are references to Formosa Plastics Corporation and its subsidiaries, all references herein to "**Nan Ya Plastics**" are references to Nan Ya Plastics Corporation and its subsidiaries, all references herein to "**Formosa Chemicals & Fibre**" are references to Formosa Chemicals & Fibre Corporation and its subsidiaries, all references herein to "**Formosa Petrochemical**" are references to Formosa Petrochemical Corporation and its subsidiaries and all references herein to the "**Issuer**" are references to Formosa Group (Cayman) Limited. All references herein to "**Taiwan**" or the "**ROC**" are to the island of Taiwan and other areas under the effective control of the ROC. All references herein to "**U.S.**" or the "**United States**" are to the United States of America. References to "**China**" or the "**PRC**" are to the People's Republic of China and, for the purposes of this Offering Circular, except where the context otherwise requires, do not include Hong Kong, the Macau Special Administrative Region of the PRC or the ROC. All references herein to the "**ROC government**" and the "**ROC Company Law**" are references to the government of the ROC and the Company Law of the ROC, respectively.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

In this Offering Circular, all references herein to "**US dollars**", "**U.S. dollars**", "**US$**" and "**U.S.$**" are to United States dollars, the lawful currency of the United States, all references to "**NT dollars**" and "**NT$**" are to New Taiwan dollars, the lawful currency of the ROC, and all references to "**RMB**" and "**Renminbi**" are to Renminbi, the lawful currency of the PRC. All translations from NT dollars to U.S. dollars were made (unless otherwise indicated) at the rate of NT$31.6000 = U.S.$1.00 (Source: the noon buying rate as set forth in the H.10 statistical release of the U.S. Federal Reserve Board as at 31 December 2014). All amounts translated into U.S. dollars as described above are provided solely for the convenience of the reader, and no representation is made that the NT$ amounts or U.S.$ amounts referred to herein could have been or could be converted into any other currencies, at any particular rate, the above rates, or at all.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the Issuer's audited financial information as at and for the years ended 31 December 2013 and 2014 which is derived from its audited financial statements for the years ended 31 December 2013 and 2014. This Offering Circular also contains the audited consolidated financial information of each Guarantor as at and for the years ended 31 December 2012, 2013 and 2014 which is derived from their audited consolidated financial statements for the years ended 31 December 2013 and 2014. The audited financial statements of the Issuer were prepared in accordance with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China ("**the Issuer Accounting Standards**"). The audited consolidated financial statements of each of the Guarantors were 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 endorsed by the Financial Supervisory Commission of the Republic of China. (the "**Guarantors' Accounting Standards**").

The audited financial statements of the Issuer as at and for the years ended 31 December 2013 and 2014 included in this Offering Circular have been audited by KPMG. The audited consolidated financial statements of Formosa Plastics as at and for the years ended 31 December 2013 and 2014 included in this Offering Circular have been audited by KPMG. The audited consolidated financial statements of Nan Ya Plastics as at and for the years ended 31 December 2013 and 2014 included in this Offering Circular have been audited by KPMG. The audited consolidated financial statements of Formosa Chemicals & Fibre as at and for the years ended 31 December 2013 and 2014 included in this Offering Circular have been audited by PricewaterhouseCoopers, Taiwan. The audited consolidated financial statements of Formosa Petrochemical as at and for the years ended 31 December 2013 and 2014 included in this Offering Circular have been audited by Ernst & Young.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantors have made certain forward-looking statements in this Offering Circular regarding, among other things, the financial conditions, future expansion plans and business strategy of the Issuer and the Guarantor Groups. These forward-looking statements are based on their current expectations about future events. Although the Issuer and the Guarantors believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the ability of the Issuer and the Guarantor Groups to successfully implement their business plans and strategies;
- the business prospects of the Issuer and the Guarantor Groups;
- the capital expenditure plans of the Issuer and the Guarantor Groups;
- the financial condition and performance of the Issuer and the Guarantor Groups;
- the highly competitive nature of the businesses of the Issuer and the Guarantor Groups;
- the availability of financing and existing indebtedness of the Issuer and the Guarantor Groups;
- the effect of interest rates on financing costs of the Issuer and the Guarantor Groups and their ability to fund future operations through borrowing or otherwise;
- general economic conditions in the ROC and changes to regulatory and operating conditions in the markets in which the Issuer and the Guarantor Groups operate; and
- the continued availability and retention of qualified personnel.

The words "anticipate", "believe", "estimate", "expect", "intend", "plan" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer and the Guarantor Groups undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer and the Guarantor Groups could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Guarantor Groups expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in their expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

TABLE OF CONTENTS

SUMMARY

The summary below is only intended to provide a very limited overview of information described in more detail elsewhere in this Offering Circular. This summary does not contain all the information that may be important to prospective investors in deciding to invest in the Notes. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

Formosa Group

The Guarantors comprise the four core members of the Formosa group (the "Formosa Group"), one of the largest private business groups in the ROC. The companies within the Formosa Group are engaged primarily in the oil refining, plastics and petrochemical, fibre and textiles industries. In addition to its commercial businesses, the Formosa Group has also established one of the largest networks of hospitals in the ROC, a medical university, a nursing college and an engineering college.

Formosa Plastics

Formosa Plastics is one of the world's leading manufacturers of polyvinyl chloride ("PVC") resins, one of Asia's leading manufacturers of polyolefins (including high-density polyethylene ("HDPE"), ethylene-vinyl acetate copolymers ("EVA"), low-density polyethylene ("LDPE") and linear low-density polyethylene ("LLDPE")) and caustic soda and the ROC's leading manufacturer of specialty chemicals such as acrylic acid and esters, acrylic fibre, N-butanol ("NBA"), acrylonitrile ("AN"), methyl methacrylate ("MMA"), epichlorohydrin ("ECH") and methyl tert butyl ether ("MTBE"). Formosa Plastics estimates that it supplies approximately 66 per cent. of the ROC's requirements of PVC resins for the year ended 31 December 2014 and is a principal supplier of such raw material to the Formosa Group. Formosa Plastics develops, manufactures and markets products in five product categories: plastics (including PVC resins and related products), polyolefin, polypropylene, Tairylan and chemicals. For the year ended 31 December 2014, sales of plastics, polyolefin, polypropylene, Tairylan and chemicals accounted for 32.3 per cent., 19.2 per cent., 18.8 per cent., 14.5 per cent. and 16.5 per cent., respectively, of Formosa Plastics' total consolidated operating revenues. For the year ended 31 December 2014, Formosa Plastics' consolidated operating revenues were NT$216,589.0 million (U.S.$6,854.1 million) and its consolidated net income was NT$17,993.4 million (U.S.$569.4 million).

Nan Ya Plastics

Nan Ya Plastics Corporation ("**Nan Ya Plastics**") develops and produces a broad range of products in the following principal categories: petrochemical products, electronic materials, polyester products and plastic products. The petrochemical products business is mainly engaged in the manufacture and sale of ethylene glycol and other plastic petrochemical raw materials, the electronic materials business is mainly engaged in the manufacture and sale of copper clad laminate, the polyester products business is mainly engaged in the manufacture and sale of polyester products, the plastic products business is mainly engaged in the manufacture and sale of flexible PVC sheets and other plastics processing products and the printed circuit board business is mainly engaged in the manufacture and sale of printed circuit boards and IC substrates. Nan Ya Plastics believes, based on public information released by its competitors, that it is the world's largest manufacturer of secondary plastics in terms of production capacity and the world's largest manufacturer of polyester fibre in terms of production capacity. Nan Ya Plastics is also a leading manufacturer of copper clad laminates and printed circuit boards in the ROC. Nan Ya Plastics' products are sold primarily to distributors and tertiary processors operating in the ROC, the PRC, the United States and Japan.

Formosa Chemicals & Fibre

Formosa Chemicals & Fibre is one of the ROC's leading manufacturers of petrochemical products, plastics products and fibre and textile products. Its major businesses include the development, manufacture and sale of petrochemical products (including PTA, PIA, benzene, MX, OX, PX, SM, phenol, toulene and acetone), plastics products (including ABS, PS, PP and PC), fibre and textile products (including rayon staple fibre, nylon filament, spun yarn, staple fabric and filament fabric). For the year ended 31 December 2014, sales of petrochemical products, plastics products and fibre and textile products accounted for 51.0 per cent., 27.1 per cent. and 10.5 per cent., respectively, of Formosa Chemicals & Fibre's total operating revenues. For the year ended 31 December 2014, Formosa Chemicals & Fibre's total operating revenues and net income were NT$401,453.7 million (U.S.$12,704.2 million) and NT$14,021.1 million (U.S.$443.7 million), respectively.

Formosa Petrochemical

Formosa Petrochemical is involved primarily in the business of refining crude oil, selling refined petroleum products and producing and selling olefins (including ethylene, propylene, butadiene and BTX) from its naphtha cracking operations. It has three main business segments – refinery of petroleum, production of olefins products and production of public utilities which produces and sells water, electricity and steam. Its public utility segment's key role is to provide utilities to refinery, naphtha cracking operations and other companies in the Mailiao Complex. Its refined petroleum products are both sold domestically and overseas. Formosa Petrochemical is also the largest olefins producer in the ROC. For the year ended 31 December 2014, Formosa Petrochemical's total operating revenues were NT$913,085.3 million (U.S.$28,895.1 million) and its net income was NT$9,069.6 million (U.S.$287.0 million). Revenues from the sale of Formosa Petrochemical's refined petroleum products, olefins products and utilities represented 66.8 per cent., 28.5 per cent. and 4.3 per cent., respectively of total operating revenues, with other products and services representing 0.4 per cent of Formosa Petrochemical's total operating revenues for such period.

THE OFFERING

The following summary contains some basic information about the Notes and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Notes" and "Summary of Provisions Relating to the Notes in Global Form" shall have the same meanings in this summary. For a more complete description of the terms of the Notes, please see "Terms and Conditions of the Notes" in this Offering Circular.

Issuer	Formosa Group (Cayman) Limited.
Guarantors	Formosa Plastics Corporation, Nan Ya Plastics Corporation, Formosa Chemicals & Fibre Corporation and Formosa Petrochemical Corporation.
Notes	U.S.$1,000,000,000 3.375 per cent. Guaranteed Notes due 2025.
Guarantee	Each Guarantor has unconditionally and irrevocably guaranteed, on a several basis, 25 per cent. of the payment obligations of the Issuer in respect of all sums expressed to be payable by it under the Trust Deed and the Notes.
Issue Price	99.546 per cent..
Form and Denomination	The Notes will be issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	22 April 2015.
Maturity Date	22 April 2025
Interest	The Notes will bear interest from and including 22 April 2015, at the rate of 3.375 per cent. per annum, payable semi-annually in arrear on 22 April and 22 October in each year.
Status of the Notes	The Notes constitute direct, unsubordinated, unconditional and (subject to Condition 4 of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 of the Terms and Conditions of the Notes, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

Status of the Guarantee	The obligations of each Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 of the Terms and Conditions of the Notes, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 4 of the Terms and Conditions of the Notes. See "*Terms and Conditions of the Notes – Covenants*".
Events of Default	The Notes will contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Notes. See "*Terms and Conditions of the Notes – Events of Default*".
Taxation	All payments of principal and interest by or on behalf of the Issuer or the Guarantors in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or the ROC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer or as the case may be, the relevant Guarantor shall, subject to the limited exceptions specified in the Terms and Conditions of the Notes, pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required. See "*Terms and Conditions of the Notes – Taxation*".
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date.
Redemption for Taxation Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount (together with interest accrued to the date fixed for redemption), at any time in the event of certain changes affecting taxes of the Cayman Islands (in the case of the Issuer) or the ROC (in the case of any Guarantor) or, in each case, any political subdivision or any authority thereof or therein having power to tax, as further described in "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Taxation Reasons*".
Undertakings	The Issuer and the Guarantors will undertake, *inter alia*, that so long as any Note remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution, the Issuer and the Guarantors will maintain a rating on the Notes by a Rating Agency.

Further Issues	The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in the Terms and Conditions of the Notes to the Notes include (unless the context requires otherwise) any other securities issued pursuant to Condition 15 of the Terms and Conditions of the Notes and consolidated and forming a single series with the Notes.
Clearing Systems	The Notes will be represented by beneficial interests in the Global Certificate in registered form, which will be registered in the name of a nominee for, and deposited on or about the Issue Date with, a common depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by, Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.
Governing Law	English law.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Principal Paying Agent, Registrar and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited.
Use of Proceeds	See "*Use of Proceeds*".
Listing	Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein.
Rating	The Notes are expected to be rated "BBB+" by S&P. Such rating of the Notes does not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by S&P. Such rating should be evaluated independently of any other rating of the other securities of the Issuer or any Guarantor, or of the Issuer or any Guarantor.

Selling Restrictions	The Notes and the Guarantee have not been and will not be registered under the Securities Act or under any state securities laws of the United States and, subject to certain exceptions, may not be offered or sold within the United States, the United Kingdom, Hong Kong, Singapore, Japan, the ROC and the Cayman Islands. The Notes may be sold in other jurisdictions only in compliance with applicable laws and regulations. See "*Subscription and Sale*".
ISIN	XS1214406792.
Common Code	121440679.

INCORPORATION OF FINANCIAL INFORMATION

Each of the Guarantors' auditors' reports and audited consolidated financial statements as at and for the years ended 2013 and 2014, which are available on the website of Taiwan Stock Exchange Corp. (http://www.twse.com.tw), are incorporated by reference in, and form part of, this Offering Circular. This Offering Circular should be read and construed in conjunction with such auditors' reports and audited consolidated financial statement as published on the website of the Taiwan Stock Exchange Corp..

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary audited financial information of the Issuer and summary audited consolidated financial information of each Guarantor as at the dates and for the periods indicated. The summary audited financial information of the Issuer as at and for the years ended 31 December 2013 and 2014 set forth below is derived from its audited financial statements for the years ended 31 December 2013 and 2014. The summary audited consolidated financial information of each Guarantor as at and for the years ended 31 December 2012, 2013 and 2014 set forth below is derived from their audited consolidated financial statements for the years ended 31 December 2013 and 2014. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, such audited financial statements of the Issuer and audited consolidated financial statements of each Guarantor, including the notes thereto, included elsewhere in this Offering Circular.

The audited financial statements of the Issuer were prepared in accordance with the Issuer's Accounting Standards and the audited consolidated financial statements of each Guarantor were prepared in accordance with the Guarantors' Accounting Standards.

THE ISSUER

Statements of Comprehensive (Loss) Income of the Issuer

	Year ended 31 December	
	2013(1)	**2014**
	U.S.$	
	(Audited)	
Operating expenses:		
Administrative and general expenses	(1,720)	(5,651)
Total operating expenses	(1,720)	(5,651)
Operating loss	(1,720)	(5,651)
Non-operating income and expenses		
Other income	–	12,011,395
Finance costs	–	(9,286,955)
Total non-operating income and expenses	–	2,724,440
(Loss) Income before income tax	(1,720)	2,718,789
Income tax	–	–
Net (loss) income	(1,720)	2,718,789
Other comprehensive income (net after tax)	–	–
Total comprehensive (loss) income	(1,720)	2,718,789

Note:

(1) For the period from 28 March 2013, the date of inception of the Issuer, to 31 December 2013.

Statements of Financial Position of the Issuer

	As at 31 December	
	2013	2014
	U.S.$	
	(Audited)	
Assets		
Current assets:		
Cash	48,280	969,327
Other receivables – related parties	–	1,616,452,379
Total assets	**48,280**	**1,617,421,706**
Liabilities and Equity		
Current liabilities:		
Accrued expenses	–	1,654,637
Total current liabilities	–	1,654,637
Non-Current liabilities:		
Long-term debts	–	1,613,000,000
Total non-current liabilities	–	1,613,000,000
Total liabilities	–	1,614,654,637
Equity		
Ordinary shares	50,000	50,000
(Accumulated deficit) Unappropriated retained earnings	(1,720)	2,717,069
Total equity	48,280	2,767,069
Total liabilities and equity	**48,280**	**1,617,421,706**

THE GUARANTORS

Formosa Plastics

Consolidated Statements of Comprehensive Income of Formosa Plastics

	Year ended 31 December			
	2012	**2013**	**2014**	**2014**
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions, except for earnings per share)			
Operating revenues	196,878.9	215,424.8	216,589.0	6,854.1
Operating costs	181,568.1	199,760.4	200,036.2	6,330.3
Gross profit	15,310.8	15,664.4	16,552.8	523.8
Operating expenses:				
Selling expenses	5,262.9	5,548.4	5,173.9	163.7
Administrative expenses	3,603.1	4,643.4	4,946.1	156.5
Research and development expenses	931.3	892.3	918.0	29.1
Total operating expenses	9,797.3	11,084.1	11,038.0	349.3
Operating income	5,513.5	4,580.3	5,514.8	174.5
Non-operating income and expenses:				
Other income	3,672.7	1,392.2	2,960.5	93.7
Other gains and losses	1,329.0	2,034.9	4,408.9	139.5
Finance costs	(1,325.4)	(1,482.8)	(1,565.5)	(49.5)
Recognized share of profit of associates and joint ventures accounted for using equity method, net	7,808.9	16,639.9	9,232.8	292.2
Total non-operating income and expenses	11,485.2	18,584.2	15,036.7	475.9
Income before income tax	16,998.7	23,164.5	20,551.5	650.4
Less: income tax expense	2,179.2	2,448.7	2,558.1	81.0
Net income	14,819.5	20,715.8	17,993.4	569.4
Other comprehensive income (loss):				
Exchange differences on translation of foreign operations	(2,274.5)	2,792.9	5,503.2	174.1
Unrealized gains (losses) on available-for-sale financial assets	(2,517.2)	18,364.0	9,144.8	289.4
Share of other comprehensive income of associates and joint ventures accounted for using equity method	80.0	2,934.7	3,551.8	112.4
Less: income tax benefit (expense) related to components of other comprehensive income	(266.6)	226.1	645.3	20.4
Total other comprehensive income (loss), net of tax	(4,445.1)	23,865.5	17,554.5	555.5
Total comprehensive income (loss)	**10,374.4**	**44,581.3**	**35,547.9**	**1,124.9**
Basic earnings per share				
Before income tax	**2.67**	**3.64**	**3.23**	**0.10**
After income tax	**2.33**	**3.25**	**2.83**	**0.09**

Consolidated Statement of Financial Position (Consolidated Balance Sheets) of Formosa Plastics

	As at 31 December			
	2012	**2013**	**2014**	**2014**
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions)			
Assets:				
Current assets				
Cash and cash equivalents	10,205.8	7,672.9	5,392.8	170.7
Available-for-sale financial assets – current	58,452.2	71,546.8	83,956.3	2,656.8
Notes receivable	843.7	1,059.6	1,026.8	32.5
Accounts receivable – net	6,946.0	8,699.4	7,350.1	232.6
Accounts receivable – related parties	4,183.4	4,631.9	4,226.0	133.7
Other receivables	1,232.1	1,591.9	1,052.2	33.3
Other receivables – related parties	30,099.5	21,069.7	29,179.4	923.4
Inventories	21,095.8	21,669.1	22,872.4	723.8
Other current assets	3,958.2	4,926.2	5,082.7	160.9
Total current assets	137,016.7	142,867.5	160,138.7	5,067.7
Non-current assets				
Available-for-sale financial assets – non-current	8,724.0	13,993.3	10,729.6	339.5
Financial assets carried at cost – non-current	2,416.2	2,416.2	2,437.8	77.1
Investments accounted for using equity method	120,822.3	152,358.5	160,602.5	5,082.4
Property, plant and equipment	75,514.3	81,456.4	83,997.6	2,658.2
Intangible assets	623.0	638.1	601.3	19.0
Deferred tax assets	1,843.4	1,670.6	1,599.3	50.6
Other assets	14,435.9	13,345.8	10,979.9	347.5
Total non-current assets	224,379.1	265,878.9	270,948.0	8,574.3
Total assets	**361,395.8**	**408,746.4**	**431,086.7**	**13,642.0**
Liabilities and equity:				
Current liabilities				
Short-term borrowings	21,587.6	17,521.6	13,767.6	435.7
Short-term notes and bills payable	8,198.4	3,099.8	–	–
Financial liabilities at fair value through profit or loss – current	5.9	–	–	–
Accounts payable	3,886.5	4,478.1	5,455.0	172.6
Accounts payable – related parties	9,950.9	12,853.7	7,358.6	232.9
Other payables	576.4	995.8	1,270.4	40.2
Other payables – related parties	694.0	882.5	937.2	29.6
Current portion of bonds payable	8,994.0	5,996.5	7,993.5	253.0
Current portion of long-term debts	1,606.5	4,995.3	1,515.6	48.0
Other current liabilities	7,106.6	8,854.5	9,625.9	304.6
Total current liabilities	62,606.8	59,677.8	47,923.8	1,516.6

	As at 31 December			
	2012	2013	2014	2014
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions)			
Non-current liabilities				
Bonds payable	39,917.9	53,893.2	51,913.4	1,642.8
Long-term debts	18,759.0	16,216.0	26,945.0	852.7
Deferred tax liabilities	5,385.1	7,165.1	9,412.2	297.9
Accrued pension liabilities	9,170.1	8,934.1	8,526.7	269.8
Other liabilities	405.0	423.8	473.9	15.0
Total non-current liabilities	73,637.1	86,632.2	97,271.2	3,078.2
Total liabilities	**136,243.9**	**146,310.0**	**145,195.0**	**4,594.8**
Equity attributable to owners of the parent:				
Common stock	61,209.0	63,657.4	63,657.4	2014.5
Capital surplus	11,227.5	11,275.7	11,278.0	356.9
Retained earnings				
Legal reserve	39,801.4	41,267.6	43,339.2	1,371.5
Special reserve	30,717.6	33,508.1	39,078.2	1,236.6
Unappropriated retained earnings	41,885.3	48,550.9	46,807.7	1,481.3
Total retained earnings	112,404.3	123,326.6	129,225.1	4,089.4
Other components of equity	40,311.1	64,176.7	81,731.2	2,586.4
Total equity	**225,151.9**	**262,436.4**	**285,891.7**	**9,047.2**
Total liabilities and equity	**361,395.8**	**408,746.4**	**431,086.7**	**13,642.0**

Nan Ya Plastics

Consolidated Statements of Comprehensive Income of Nan Ya Plastics

	Year ended 31 December			
	2012	**2013**	**2014**	**2014**
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions, except for earnings per share)			
Operating revenues, net	300,710.5	311,005.3	325,473.1	10,299.8
Operating costs	271,588.0	278,338.5	296,426.5	9,380.6
Realized (unrealized) profit from affiliated companies	(17.7)	5.6	13.5	0.4
Gross profit, net	29,140.2	32,661.2	29,033.1	918.8
Operating expenses:				
Selling expenses	9,156.3	9,626.7	9,973.5	315.6
Administrative expenses	7,336.8	8,222.3	8,068.4	255.4
Total operating expenses	16,493.1	17,849.0	18,041.9	571.0
Operating income	12,647.1	14,812.2	10,991.2	347.8
Non-operating income and expenses:				
Other income	6,326.2	3,972.8	4,386.4	138.8
Other gains and losses	(78.9)	1,646.7	5,770.6	182.6
Finance costs	(2,374.1)	(2,200.7)	(2,147.7)	(67.9)
Share of profit (loss) of associates and joint ventures accounted for using equity method	(10,917.5)	12,726.5	15,515.6	491.0
Total non-operating income and expenses	(7,044.3)	16,145.3	23,524.9	744.5
Income before income tax	5,602.8	30,957.5	34,516.1	1,092.3
Less: income tax expense	1,963.3	5,893.8	1,699.3	53.8
Net income	3,639.5	25,063.7	32,816.8	1,038.5
Other comprehensive income (loss):				
Exchange differences on translation of foreign operations	(3,744.5)	5,235.3	7,993.1	252.9
Unrealized gains (losses) on available-for-sale financial assets	(1,174.8)	10,266.6	8,469.6	268.0
Share of other comprehensive income of associates and joint ventures accounted for using equity method	42.5	2,371.3	3,114.5	98.6
Other comprehensive income – other	(28.1)	11.3	(7.0)	(0.2)
Less: Income tax benefit (expense) related to components of other comprehensive income	(139.0)	106.4	287.3	9.1
Other comprehensive income for the period, net of tax	(4,765.9)	17,778.1	19,282.9	610.2
Total comprehensive income (loss)	**(1,126.4)**	**42,841.8**	**52,009.7**	**1,648.7**
Net income attributable to:				
Owners of parent	4,269.2	25,271.6	31,785.3	1,005.9
Non-controlling interests	(629.7)	(207.9)	1,031.5	32.6
	3,639.5	**25,063.7**	**32,816.8**	**1,038.5**

	Year ended 31 December			
	2012	**2013**	**2014**	**2014**
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions, except for earnings per share)			
Comprehensive income (loss) attributable to:				
Owners of parent	(496.7)	43,049.7	51,068.2	1,616.1
Non-controlling interests	(629.7)	(207.9)	1,031.5	32.6
	(1,126.4)	**42,841.8**	**52,099.7**	**1,648.7**
Basic earnings per share				
Before income tax	**0.59**	**3.50**	**3.86**	**0.12**
After income tax	**0.54**	**3.19**	**4.10**	**0.13**

Consolidated Balance Sheets of Nan Ya Plastics

	As at 31 December			
	2012	2013	2014	2014
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(*in millions*)			
Assets:				
Current assets				
Cash and cash equivalents	25,341.8	24,547.4	36,632.7	1,159.3
Available-for-sale financial assets – current	38,494.6	43,163.0	40,842.6	1,292.5
Notes receivable	5,734.4	6,917.4	8,032.1	254.2
Accounts receivable, net	31,366.7	35,330.3	34,845.4	1,102.7
Receivables from related parties	2,491.2	2,532.2	11,521.6	364.6
Other receivables	1,879.6	1,700.0	2,575.1	81.4
Other receivables from related parties	44,527.9	63,778.9	24,010.4	759.8
Inventories, net	43,174.9	45,220.3	47,379.7	1,499.4
Other current assets	4,975.8	6,410.8	5,851.6	185.2
Total current assets	197,986.9	229,600.3	211,691.2	6,699.1
Non-current assets				
Available-for-sale financial assets – non-current	2,791.3	10,515.7	22,491.9	711.8
Financial assets carried at cost – non-current	3,007.8	3,009.9	2,998.7	94.9
Investments accounted for using equity method	89,657.5	114,532.7	129,204.3	4,088.7
Property, plant and equipment	147,209.8	147,810.7	145,079.2	4,591.1
Technology development expense	348.3	247.0	139.5	4.4
Deferred tax assets	6,766.1	6,431.0	8,281.9	262.1
Prepayments on purchase of equipment	2,528.1	2,418.5	2,306.0	73.0
Prepaid pension costs – non-current	1.0	1.0	1.0	0.0
Other assets	8,500.2	9,943.3	10,457.8	331.0
Total non-current assets	260,810.1	294,909.8	320,960.3	10,157.0
Total assets	**458,797.0**	**524,510.1**	**532,651.5**	**16,856.1**
Liabilities and equity:				
Current liabilities				
Short-term borrowings	9,325.1	14,337.6	9,201.5	291.2
Short-term notes and bills payable	–	4,499.3	–	–
Financial liabilities at fair value through profit or loss – current	28.6	–	–	–
Notes and accounts payable	7,749.8	7,104.3	7,973.5	252.3
Payables to related parties	10,990.4	11,456.9	8,810.0	278.8
Other payables	11,557.2	15,026.0	13,977.0	422.3
Other payables to related parties	14.0	15.9	32.6	1.0
Current portion of bonds payable	17,486.2	17,987.3	25,660.6	812.1
Current portion of long-term debts	10,709.1	22,718.8	4,920.0	155.7
Other current liabilities	1,255.7	915.9	1,092.9	34.6
Total current liabilities	69,116.1	94,062.0	71,668.1	2,268.0

	As at 31 December			
	2012	2013	2014	2014
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions)			
Non-current liabilities				
Bonds payable	59,539.9	73,214.7	63,592.3	2,012.4
Long-term debts	45,216.1	29,604.6	29,991.4	949.1
Deferred tax liability	5,452.0	6,612.7	7,817.4	247.4
Accrued pension liabilities	25,158.0	24,818.1	24,625.1	779.3
Guarantee deposits	614.6	645.3	617.0	19.5
Other liabilities	220.3	205.2	192.6	6.1
Total non-current liabilities	136,200.9	135,100.6	126,835.8	4,013.8
Total liabilities	**205,317.0**	**229,162.6**	**198,503.9**	**6,281.8**
Equity attributable to owners of the parent:				
Common stock	78,523.0	79,308.2	79,308.2	2,509.8
Capital surplus	21,980.2	21,917.7	22,927.0	725.5
Retained earnings	115,962.0	138,092.7	154,809.4	4,899.0
Others	25,356.6	43,134.7	62,417.7	1,975.3
Treasury stock	(2.0)	(2.0)	–	–
Non-controlling interests	11,660.2	12,896.2	14,685.3	464.7
Total equity	**253,480.0**	**295,347.5**	**334,147.6**	**10,574.3**
Total liabilities and equity	**458,797.0**	**524,510.1**	**532,651.5**	**16,856.1**

Formosa Chemicals & Fibre

Consolidated Statements of Comprehensive Income of Formosa Chemicals & Fibre

	Year ended 31 December			
	2012	**2013**	**2014**	**2014**
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions, except for earnings per share)			
Operating revenues	391,600.0	428,000.0[(1)]	401,453.7	12,704.2
Operating costs	(376,428.5)	(395,440.6)[(1)]	(383,655.6)	(12,141.0)
Net operating margin	15,171.5	32,559.4	17,798.1	563.2
Operating expenses:				
Selling expenses	(7,318.7)	(7,858.4)	(8,468.0)	(268.0)
General and administrative expenses	(4,681.7)	(5,722.8)	(5,284.4)	(167.2)
Total operating expenses	(12,000.4)	(13,581.2)	(13,752.4)	(435.2)
Operating profit	3,171.1	18,978.2	4,045.7	128.0
Non-operating income and expenses:				
Other income	6,090.6	2,834.0	4,894.7	154.9
Other gains and losses	(18.7)	1,998.6	4,806.4	152.2
Finance costs	(2,849.0)	(2,620.7)	(2,584.7)	(81.8)
Share of profit of associates and joint ventures accounted for using equity method, net	2,899.5	9,116.7	4,532.3	143.4
Total non-operating income and expenses	6,122.4	11,328.6	11,648.7	368.7
Profit before income tax	9,293.5	30,306.8	15,694.4	496.7
Less: income tax expense	(790.1)	(3,628.3)	(1,673.3)	(53.0)
Profit for the year	8,503.4	26,678.5	14,021.1	443.7
Other comprehensive income (net):				
Financial statements translation differences of foreign operations	(2,182.3)	2,582.8	4,356.8	137.9
Unrealized gains (losses) on valuation of available-for-sale financial assets	(4,167.2)	12,786.4	5,170.8	163.6
Share of other comprehensive income of associates and joint ventures accounted for under equity method	13.1	2,552.3	3,867.1	122.4
Income tax related to components of other comprehensive income	264.2	(310.5)	(542.2)	(17.2)
Total other comprehensive income for the year	2,431.2	44,289.5	26,873.6	850.4
Net income attributable to:				
Owners of the parent	7,315.2	24,863.6	10,530.3	333.2
Non-controlling interest	1,188.2	1,814.9	3,490.8	110.5
	8,503.4	**26,678.5**	**14,021.1**	**443.7**
Total comprehensive income attributable to:				
Owners of parent	3,617.9	42,928.7	25,182.2	796.9
Non-controlling interests	(1,186.7)	1,360.8	1,691.4	53.5
After income tax	**2,431.2**	**44,289.5**	**26,873.6**	**850.4**

	Year ended 31 December							
	2012		2013		2014		2014	
	NT$		*NT$*		*NT$*		*U.S.$*	
	(Audited)		(Audited)		(Audited)		(Unaudited)	
	(in millions, except for earnings per share)							
Basic earnings per share	**Before Tax**	**After Tax**	**Before Tax**	**After Tax**	**Before Tax**	**After Tax**	**Before Tax**	**After Tax**
Income from continuing operations	1.59	1.45	5.19	4.56	2.68	2.40	0.08	0.08
Net income of non-controlling interests	(0.32)	(0.20)	(0.54)	(0.31)	(0.77)	(0.60)	(0.02)	(0.02)
Net income attributable to ordinary equity holders of the parent	**1.27**	**1.25**	**4.65**	**4.25**	**1.91**	**1.80**	**0.06**	**0.06**
Pro forma information assuming the investment of the subsidiary, Formosa Taffeta Co., Ltd., and indirectly owned subsidiary are not treated as treasury stock:								
Income from continuing operations	1.58	1.45	5.17	4.55	2.68	2.39	0.08	0.08
Net income of non-controlling interests	(0.32)	(0.20)	(0.54)	(0.31)	(0.77)	(0.59)	(0.02)	(0.02)
Net income attributable to ordinary equity holders of the parent	**1.26**	**1.25**	**4.63**	**4.24**	**1.91**	**1.80**	**0.06**	**0.06**

Note:

(1) The figure has been restated in the audited financial statements for the year ended 31 December 2014.

Consolidated Balance Sheets of Formosa Chemicals & Fibre

	As at 31 December			
	2012	**2013**	**2014**	**2014**
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions)			
Assets:				
Current assets				
Cash and cash equivalents	11,562.9	11,459.5	14,335.9	453.7
Financial assets at fair value through profit or loss – current	17.2	1.4	654.5	20.7
Available-for-sale financial assets – current	63,406.4	71,852.9	85,403.7	2,702.6
Notes receivable, net	12,269.9	12,050.2	11,118.2	351.8
Notes receivable – related parties	14.6	7.0	2.7	0.1
Accounts receivable, net	21,151.2	21,756.4	18,966.5	600.2
Accounts receivable – related parties	9,273.8	9,511.8	6,796.5	215.1
Other receivables	4,412.5	7,914.0	15,221.8	481.7
Other receivables – related parties	19,160.0	13,300.7	18,147.4	574.3
Inventory	52,108.4	53,825.4	48,948.1	1,549.0
Other current assets	10,804.9	12,240.7	6,336.1	200.5
Total current assets	204,181.8	213,920.0	225,931.4	7,149.7
Non-current assets				
Available-for-sale financial assets – non-current	41,291.8	45,316.2	37,051.8	1,172.5
Financial assets carried at cost – non-current	2,997.2	2,878.7	3,513.3	111.2
Investments accounted for using equity method	79,653.1	104,510.8	107,084.2	3,388.7
Property, plant and equipment	144,731.7	145,053.2	144,975.5	4,587.8
Intangible assets	5.7	7.5	5.7	0.2
Deferred income tax assets	3,884.3	3,155.9	2,442.1	77.3
Other non-current assets	12,175.0	10,847.8	9,774.6	309.4
Total non-current assets	284,738.8	311,770.1	304,847.2	9,647.1
Total assets	**488,920.6**	**525,690.1**	**530,778.6**	**16,796.8**
Liabilities and equity:				
Current liabilities				
Short-term borrowings	23,917.2	27,996.7	29,187.2	923.6
Short-term notes and bills payable	12,898.9	1,349.8	2,349.5	74.4
Financial liabilities at fair value through profit or loss – current	66.7	0.7	5.8	0.2
Notes payable	157.1	172.1	205.6	6.5
Accounts payable	5,360.6	7,162.0	6,950.7	220.0
Accounts payable – related parties	22,874.4	24,476.5	15,044.2	476.1
Other payables	5,754.6	6,624.6(1)	9,264.7	293.1
Other payables – related parties	6,127.6	3,214.7	2,815.9	89.1
Current income tax liabilities	352.0	2,190.1	286.8	9.1
Long-term liabilities, current portion	25,809.7	21,944.4	23,389.6	740.2
Other current liabilities	2,624.7	2,745.4(1)	1,765.1	55.8
Total current liabilities	105,943.5	97,877.0	91,265.1	2,888.1

	As at 31 December			
	2012	**2013**	**2014**	**2014**
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions)			
Non-current liabilities				
Corporate bonds payable	42,800.0	50,000.0	56,000.0	1,772.2
Long-term borrowings	56,045.3	54,079.0	47,985.6	1,518.5
Deferred income tax liabilities	2.5	251.5	923.1	29.2
Other non-current liabilities	10,962.4	10,774.8	10,718.4	339.2
Total non-current liabilities	109,810.2	115,105.3	115,627.1	3,659.1
Total liabilities	**215,753.7**	**212,982.3**	**206,892.2**	**6,547.2**
Equity attributable to owners of the parent:				
Common stock	56,904.7	58,611.9	58,611.9	1,854.8
Capital surplus	8,523.9	8,632.6	8,668.6	274.3
Retained earnings				
Legal reserve	39,656.9	40,366.3	42,852.7	1,356.1
Special reserve	39,506.8	39,506.8	41,927.6	1,326.8
Unappropriated retained earnings	24,622.2	43,370.4	34,340.6	1,086.7
Other equity interests	59,096.1	77,161.2	91,813.1	2,905.5
Treasury stocks	(339.3)	(236.5)	(332.4)	(10.5)
Equity attributable to owners of the parent	227,971.3	267,412.7	277,882.1	8,793.7
Non-controlling interest	45,195.6	45,295.1	46,004.3	1,455.9
Total equity	273,166.9	312,707.8	323,886.4	10,249.6
Total liabilities and shareholders' equity	**488,920.6**	**525,690.1**	**530,778.6**	**16,796.8**

Note:

(1) The figure has been restated in the audited financial statements as at 31 December 2014.

Formosa Petrochemical

Consolidated Statements of Comprehensive Income of Formosa Petrochemical

	Year ended 31 December			
	2012	**2013**	**2014**	**2014**
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions, except for earnings per share)			
Operating revenues	894,377.7	931,333.9	913,085.3	28,895.1
Operating costs	885,211.9	898,078.5	903,507.0	28,592.0
Gross profit	9,165.8	33,255.4	9,578.3	303.1
Operating expenses:				
Selling expenses	5,681.8	5,568.5	5,596.8	177.1
General and administrative	4,157.2	4,077.3	3,981.1	126.0
Research and development expenses	157.4	156.4	174.9	5.5
Total operating expenses	9,996.4	9,802.2	9,752.8	308.6
Operating income (loss)	(830.6)	23,453.2	(174.5)	(5.5)
Non-operating income and expenses:				
Other income	4,790.8	3,900.7	4,095.7	129.6
Other gains and losses	27.7	4,851.9	6,329.9	200.3
Finance costs	(3,468.6)	(3,324.7)	(2,922.7)	(92.4)
Share of profit of associates and joint ventures	1,921.5	2,134.8	1,771.1	56.0
Total non-operating income and expenses	3,271.4	7,562.7	9,274.0	293.5
Income before income tax	2,440.8	31,015.9	9,099.5	288.0
Less: income tax expense (benefit)	(277.3)	4,156.6	29.9	1.0
Net income	2,718.1	26,859.3	9,069.6	287.0
Other comprehensive income:				
Exchange differences on translation of foreign operations	(23.6)	16.2	21.6	0.7
Unrealized gains or losses on available-for-sale financial assets	346.5	9,193.9	12,544.2	397.0
Cash flow hedge	176.9	70.6	(21.6)	(0.7)
Share of other comprehensive income of associates and joint ventures	(207.0)	348.7	1,373.6	43.5
Income tax benefit (expense) related to components of other comprehensive income	(30.1)	(12.0)	3.6	0.1
Other comprehensive income for the period, net of income tax	262.7	9,617.4	13,921.4	440.6
Total comprehensive income for the period	2,980.8	36,476.7	22,991.0	727.6

	Year ended 31 December			
	2012	**2013**	**2014**	**2014**
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions, except for earnings per share)			
Net income attributable to:				
Shareholders of the parent	2,715.7	26,858.3	9,065.6	286.9
Non-controlling interest	2.4	1.0	4.0	0.1
	2,718.1	26,859.3	9,069.6	287.0
Total comprehensive income attributable to:				
Shareholders of the parent	2,978.4	36,475.6	22,987.0	727.4
Non-controlling interests	2.4	1.1	4.0	0.1
After income tax	**2,980.8**	**36,476.7**	**22,991.0**	**727.6**
Basic earnings per share				
Continuing operating income before tax	**0.26**	**3.26**	**0.95**	**0.0**
Net income	**0.29**	**2.82**	**0.95**	**0.0**

Consolidated Balance Sheets of Formosa Petrochemical

	As at 31 December			
	2012	**2013**	**2014**	**2014**
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions)			
Assets:				
Current assets				
Cash and cash equivalents	21,133.4	16,651.7	40,653.9	1,286.5
Financial assets at fair value through profit or loss – current	–	882.6	–	–
Available-for-sale financial assets – current	20,065.8	22,906.6	44,296.1	1,401.8
Derivative financial assets for hedging – current	–	8.7	7.0	0.2
Notes receivable, net	4.2	0.6	0.4	0.0
Notes receivable from related parties, net	2,523.6	–	–	–
Accounts receivable, net	37,447.6	40,776.0	19,861.4	628.5
Accounts receivable from related parties, net	39,283.3	44,176.7	26,011.0	823.1
Other receivables (including from related parties)	26,660.9	19,941.3	15,740.3	498.1
Current tax assets	24.7	–	1.8	0.1
Inventories	75,996.8	80,379.4	80,664.1	2,552.7
Prepayments	15,634.0	20,768.2	32,298.1	1,022.1
Other current assets	4,672.8	5,991.1	747.7	23.7
Total current assets	243,447.1	252,483.0	260,281.8	8,236.8
Non-current assets				
Available-for-sale financial assets – non-current	8,724.0	13,993.3	10,729.6	339.5
Financial assets measured at cost – non-current	1,445.8	1,445.8	1,469.4	46.5
Investments accounted for using equity method	22,326.9	35,990.6	38,350.0	1,213.6
Property, plant and equipment	171,708.4	159,580.6	145,361.5	4,600.1
Natural resource	333.3	243.4	135.8	4.3
Investments property	292.5	291.1	301.6	9.5
Deferred income tax assets – non-current	7,270.0	6,159.6	6,003.0	190.0
Other non-current assets	11,860.2	12,039.5	10,412.5	329.5
Total non-current assets	223,961.1	229,743.9	212,763.4	6,733.0
Total assets	**467,408.2**	**482,226.9**	**473,045.2**	**14,969.8**

	As at 31 December			
	2012	2013	2014	2014
	NT$	*NT$*	*NT$*	*U.S.$*
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in millions)			
Liabilities and equity:				
Current liabilities				
Short-term loans	25,184.6	28,906.4	32,457.0	1,027.1
Short-term notes and bills payable	13,000.0	3,300.0	3,500.0	110.8
Financial liabilities at fair value through profit or loss – current	210.2	–	–	–
Derivative financial liabilities for hedging – current	138.2	–	20.0	0.6
Notes payable	32.7	19.6	13.5	0.4
Accounts payable	9,992.2	6,868.8	12,835.8	406.2
Accounts payable to related parties	5,292.5	5,918.5	2,557.0	80.9
Other payables	9,957.3	9,931.6	10,514.0	332.7
Other payables to related parties	1,481.9	227.7	7,663.0	242.5
Current tax liabilities	2.2	2,928.5	4.3	0.1
Current portion of long-term debts	32,474.7	55,708.3	31,722.4	1,003.9
Other current liabilities	468.7	2,815.5	3,236.6	102.5
Total current liabilities	98,235.2	116,624.9	104,523.6	3,307.7
Non-current liabilities				
Financial liabilities at fair value through profit or loss – non-current	420.3	–	–	–
Bonds payable	66,000.0	68,000.0	53,000.0	1,677.2
Long-term loans	88,538.0	49,667.3	68,630.7	2,171.9
Deferred income tax payable	308.2	370.2	201.3	6.4
Other non-current liabilities	1,835.0	1,392.7	1,397.5	44.2
Lease obligations payable – non-current	2,654.8	2,616.8	2,496.3	79.0
Accrued pension liability	3,126.9	3,183.2	3,239.8	102.5
Total non-current liabilities	162,883.2	125,230.2	128,965.6	4,081.2
Total liabilities	**261,118.4**	**241,855.1**	**233,489.2**	**7,388.9**
Equity attributable to owners of the parent:				
Common stock	95,259.6	95,259.6	95,259.6	3,014.5
Capital surplus	31,243.3	31,327.4	31,336.2	991.7
Retained earnings				
Legal reserve	38,313.7	38,585.6	41,271.5	1,306.1
Special reserve	3,033.8	3,033.8	3,033.8	96.0
Unappropriated earnings	28,197.4	52,307.0	34,871.9	1,103.5
Total retained earnings	69,544.9	93,926.4	79,177.2	2,505.6
Total equity attributable to shareholders of the parent	10,210.5	19,827.8	33,749.2	1,068.0
Other non-controlling interest	31.5	30.6	33.8	1.1
Total equity	**206,289.8**	**240,371.8**	**239,556.0**	**7,580.9**
Total liabilities and equity	**467,408.2**	**482,226.9**	**473,045.2**	**14,969.8**

Prospective investors should carefully consider the risk factors set forth below, as well as the other information contained elsewhere in this Offering Circular, before deciding to invest in the Notes. The risks described below are not the only ones that may affect the Issuer, the Guarantors or the Notes. Additional considerations and uncertainties not presently known to the Issuer or the Guarantors, or which the Issuer or any Guarantor currently deems immaterial, may also have an adverse effect on an investment in the Notes. If any of the possible events described below occur, the business, financial condition or results of operation of the Issuer or any Guarantor could be materially and adversely affected. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer and the Guarantors could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Issuer and the Guarantors described below and elsewhere in this Offering Circular. See "Forward-Looking Statements".

Risks Relating to the Businesses of the Guarantors

The Guarantors are exposed to volatility in crude oil prices, refined petroleum products prices and refining margins. A reduction in demand or supply could materially and adversely affect the Guarantors' businesses, financial conditions and results of operations.

Formosa Petrochemical purchases crude oil for its refining operations and sells a substantial portion of its petroleum products at prices that are determined by reference to international and domestic petroleum product prices. Formosa Petrochemical's financial condition and results of operations are significantly influenced by market prices for crude oil and refined petroleum products, which are subject to the forces of international, regional and domestic supply and demand, as well as various other factors beyond its control. In recent years these prices have fluctuated greatly. The markets and prices for petroleum products may be influenced by aggregate demand for such products (which can fluctuate with changes in economic conditions and cycles, seasons and weather patterns), the level of domestic and regional production, the prices and availability of imports, the prices and availability of substitute fuels and the extent and nature of governmental regulation and taxation. Worldwide supply conditions and the price levels of crude oil may also be significantly influenced by international groupings, which control the production of a significant portion of the worldwide supply of crude oil, and by political developments, especially in the Middle East. In addition, factors such as domestic and foreign government regulations, weather conditions and competition from other energy sources also have an impact on crude oil and petroleum product prices. Volatility in the prices of crude oil and petroleum products can cause period-to-period fluctuations in Formosa Petrochemical's results of operations, as is typical for companies operating in the petroleum industry.

Oil prices have been volatile during the past year, due in part to the weakening global economy, hostilities in Iraq and instability in the oil-producing nations of Russia and Venezuela, and this volatility is expected to continue in 2015. Formosa Petrochemical's oil inventory is marked to market, with gains and losses reflected in its quarterly income statement. Under the ROC Petroleum Administration Act, Formosa Petrochemical is required to store sufficient crude oil and/or petroleum products no less than (or, in the case of crude oil, able to produce) 60 days of supply, calculated based on its average domestic sales and private consumption volume in the preceding 12 months, and typically keeps a stockpile of crude oil which is substantially in excess of that required by the ROC Petroleum Administration Act. Formosa Petrochemical is thus further exposed to volatility in oil prices. See "Description of Formosa Petrochemical Corporation – Business".

In addition, prices of refined products may not move in tandem with crude oil prices. The fundamentals governing the prices of crude oil may differ from the fundamentals governing the prices of refined products. There is a time lag of approximately 20 days before the crude oil is processed through the refinery.

Volatility in the price of crude oil also affects the prices of refined petroleum products, notably naphtha, which, in turn, affects the raw materials costs, and the business and results of operations of Formosa Plastics, Nan Ya Plastics and Formosa Chemicals & Fibre. In addition, any increase in oil prices, or a period of sustained high oil prices could depress growth in demand for petroleum and petrochemical products, which could in turn affect the financial condition or results of operations of all the Guarantors.

Disruptions in the global financial markets or any further downturn in the global economy could have an adverse impact on the financial conditions and results of operations on the Guarantors.

A substantial portion of the net sales revenues of each Guarantor is derived from sales from the ROC to customers located in areas outside the ROC. Sales to customers outside the ROC are expected to continue to represent a significant portion of net sales revenues of the Guarantors. Accordingly, the financial conditions and results of operations of the Guarantors may be affected by changes in governmental policies, regional and global inflationary pressures, increasing interest rates, social instability and other political, economic or social developments in or affecting the countries in which the Guarantors sell their products.

The global financial crisis which began in 2008 and the on-going European debt crisis has adversely affected the global economy, including the ROC and the PRC, resulting in a tightening of credit markets, lower levels of liquidity in many financial markets and increased volatility in credit and equity markets. Recovery has been slower than anticipated, and the timing and nature of any recovery in worldwide financial markets and the global economy remain uncertain. There can be no assurance that market conditions will improve in the near future or that they will not deteriorate again. If such conditions continue, worsen or recur, they may adversely affect the availability, terms and cost of borrowing in the future, including any financing necessary to fund the capital expenditures of the Guarantors. As the Guarantors rely on borrowings to meet a substantial part of their capital expenditure requirements, any disruption in their ability to renew existing credit facilities or to obtain new borrowings on acceptable terms may adversely affect their financial conditions, results of operations and cash flows.

While the PRC has experienced decades of rapid economic development, its economic momentum slowed in 2014, and there can be no assurance that the PRC will be able to continue to sustain its previous levels of high growth. A prolonged period of slower growth in the PRC in general could have a material adverse effect on the financial conditions and operating results of the Guarantors as well as on their prospects to identify, invest in and develop new projects and businesses. See "– Risks Relating to the ROC" and "– Risks Relating to the PRC".

As the business segments of the Guarantors are inter-related, any adverse policy change by the ROC government may also cause a chain effect to the Guarantors' businesses. The Guarantors' businesses are also vulnerable to other disruptions in the international trading environment, such as adverse changes in foreign government regulations and political unrest, particularly in Southeast Asia, the Middle East, and Africa where political and economic conditions are often subject to instability. Any decline in the local economic conditions of such regions and other jurisdictions in which any Guarantor has operations may adversely affect the demand for such Guarantor's products and the terms upon which it sells its products overseas, thereby significantly reducing international sales and revenues and adversely affecting its results of operations and financial conditions.

Cyclical changes in the petrochemical and plastics industries may adversely affect the sales of the Guarantors.

The petrochemical industry and the plastics industry are characterized by cyclical market conditions. Margins are sensitive to supply and demand balances both domestically, regionally and internationally. Demand for petrochemical and plastics products is typically dependent on the level of general economic activity, and weak economic conditions tend to result in reduced demand. Supply is affected by significant capacity additions, and if such additions are not matched by a corresponding growth in demand, average industry operating rates and margins will fall. It is not possible to predict accurately the supply and demand balances, general economic growth rates, market conditions and other factors that may affect industry operating rates and margins in the future.

In addition, a significant proportion of the products manufactured by Formosa Plastics, Nan Ya Plastics and Formosa Chemicals & Fibre are of commodity grade and to a large extent, are fungible with the products of its competitors. As such, there are limitations on the Guarantors' ability to control the selling prices of these products. There can therefore be no assurance that sales or margins of petrochemical or plastics products will improve or be maintained at current levels. A downturn in the market for any of the petrochemical products or plastics products of Formosa Plastics, Nan Ya Plastics and Formosa Chemicals & Fibre may have a significant impact on the selling price or margins of such products and on the results of operations of such Guarantors.

Shortages of raw materials or volatility of raw material prices may adversely affect the operations and businesses of the Guarantors.

Raw material cost is the largest component of operating costs for each of the Guarantors. Sufficient quantities of crude oil and high quality raw materials need to be obtained in a timely manner and at acceptable prices. Price increases in respect of the Guarantors' raw materials could result from a variety of factors, including actions of crude oil-exporting countries to reduce their exports of crude oil, global inflationary pressures, regional instability in the Middle East or other oil-producing nations or other natural economic forces. See "– The Guarantors are exposed to volatility in crude oil prices, refined petroleum products prices and refining margins. A reduction in demand or supply could materially and adversely affect the Guarantors' businesses, financial conditions and results of operations".

As a result, the operations of the Guarantors are vulnerable to changes in the supply and prices of raw materials for reasons which include the following:

(i) Most of the raw materials used by the Guarantors are typically sourced from a limited group of suppliers, including other members of the Formosa Group. The Guarantors may not be able to obtain sufficient quantities of such raw materials of an acceptable or comparable quality, or at an acceptable price, in the future from these suppliers.

(ii) Large amounts of crude oil and other raw materials are required in the Guarantors' refining (in the case of Formosa Petrochemical) and manufacturing processes. Formosa Petrochemical procures all of its crude oil requirements from overseas sources, purchasing a significant portion of such crude oil under term contracts with state-owned petroleum companies of petroleum-exporting countries. Such contracts typically provide for the supply of a fixed quantity (within a given range) of crude oil during a period of one year at a variable price, as referenced off the Dubai and Oman Platts Prices of crude oil. The balance is generally purchased on the spot market from time to time at the prevailing market price, to meet fluctuations in supply or demand.

Any significant increase in the prices of crude oil could materially affect the businesses, results of operations or financial condition of Formosa Petrochemical if such price increases cannot be passed on to customers by way of higher prices.

In addition, increases in the prices of crude oil will have an impact on the prices of downstream petrochemical products, for example naphtha and ethylene, used by the other Guarantors as raw materials in their operations, which could adversely affect the businesses of such Guarantors. The ability of the Guarantors to pass on cost increases to their customers is dependent on market conditions and the bargaining power of those customers. Furthermore, although members of the Formosa Group follow a policy which generally require sales and purchases of raw materials between companies within the Formosa Group to be priced on terms at least as favorable as transactions on an arm's length commercial basis, the fact that a substantial percentage of the Guarantors' products is ultimately sold to other companies within the Formosa Group could also limit the ability of the Guarantors to pass on increases in costs.

(iii) Formosa Petrochemical purchases from third parties a significant portion of the naphtha used in its cracker operations, mostly with the same state-owned petroleum companies of oil-exporting countries from which Formosa Petrochemical buys crude oil. The balance is generally purchased on the spot market from time to time at the prevailing market price, to meet fluctuations in supply or demand. Naphtha price increases may increase Formosa Petrochemical's working capital needs and accordingly adversely affect Formosa Petrochemical's liquidity and cash flow requirements.

The price of naphtha generally follows the price trend of, and varies with market conditions for, crude oil, which in recent times have been highly volatile. Naphtha price increases are not always of the same magnitude or direction as changes in the prices of Formosa Petrochemical's products. As a result, increases in naphtha prices may also have a material adverse effect on Formosa Petrochemical's margins and cash flows if such increases cannot be passed through to buyers of Formosa Petrochemical's olefins products by way of higher olefins products prices. Significant volatility in the costs of naphtha may also put pressure on Formosa Petrochemical's margins, if increases in sales prices for Formosa Petrochemical's olefins products lag behind increases in the price of naphtha.

The products produced from Formosa Petrochemical's naphtha cracking operations are important raw materials used in the production processes of Formosa Plastics, Nan Ya Plastics and Formosa Chemicals & Fibre. As Formosa Petrochemical sells these products to them on an arm's length basis by reference to market prices, any increases in the prices of naphtha and its related products will likely, in turn, have an adverse impact on the other Guarantors.

(iv) There have been shortages in the past of various raw materials that are needed for the manufacture of certain of the Guarantors' plastics products. There can be no assurance that the Guarantors will not experience shortages of any of their respective raw materials in the future.

Inability in obtaining high-quality raw materials in a timely and cost-effective manner may cause delays in the Guarantors' production and delivery schedules, which may result in loss of customers and revenues.

The Guarantors' overseas expansion exposes them to political and economic risks, commercial instability and events beyond their control in the countries in which they operate and plan to operate.

In recent years, the Guarantors have expanded their production activities overseas, in order to enjoy the benefit of lower labor costs and other manufacturing costs as well as to adapt to the needs of many of the Guarantors' customers, particularly ROC-based manufacturers of downstream plastic products (for example, shoes and handbags), which have moved part or all of their manufacturing operations to regions such as the PRC or Southeast Asia for the reasons above. As these companies typically source their raw material requirements locally in order to reduce raw material costs and freight charges and shorten delivery time, certain of the Guarantors have established manufacturing plants in various locations in the PRC, including Ningbo and Kunshan, and Southeast Asia, in particular Vietnam, in order to cater for the needs of these customers. However, as the Guarantors face significant restrictions in their expansion plans, particularly relating to the PRC as a result of the enduring political standoff between the ROC and the PRC, there is no assurance that such overseas expansion or investments will be successful or that such Guarantors will not suffer foreign exchange losses in connection with their overseas investment.

Furthermore, managing operations in such overseas markets, where the Guarantors have limited presence or experience, also expose the Guarantors to a number of risks, including the risks of civil unrest and political and economic instability associated with these countries. For example, Formosa Industries Corporation and Formosa Ha Tinh Steel Corporation were forced to suspend operations in its Dong Nai and Ha Tinh plants in Vietnam in May 2014 following several days of widespread rioting which began as protests to a maritime boundary and oil drilling dispute between Vietnam and the PRC. Other risks include expropriation and nationalization of its assets in foreign countries, acts of terrorism, war or other armed conflict, natural disasters, inflation, currency fluctuations, devaluations and conversion restrictions, confiscatory taxation or other adverse tax policies, governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds, governmental activities that may result in the deprivation of contractual rights, lack of a well-developed legal system that makes it difficult to enforce the Guarantors' contractual rights, and governmental activities that may result in the inability to obtain or retain licenses required for operations.

In addition, if any of the Guarantors has any plan on overseas expansion, such expansion may place a significant strain on their management, operational and financial resources. There can be no assurance that the Guarantors' existing or future management, operational and financial systems, procedures and controls will be adequate to support their future operations, or that the Guarantors will be able to recruit, retain and motivate their personnel or to establish or develop business relationships beneficial to their future operations. For example, to the extent that any Guarantor is not able to maintain its business relationships with its existing customers which have moved part or all of their operations overseas, or any Guarantor is no longer able to supply its products to these customers in a cost efficient manner in order to compete with local suppliers, such Guarantor's results of operations could be adversely affected. Failure of the Guarantors to manage growth effectively could have a material adverse effect on their businesses, results of operations and financial condition.

The Guarantors face substantial competition in each of the industries in which they compete.

Competitors of the Guarantors include large, vertically integrated companies in the PRC, South Korea, Japan and the ROC (in the case of Formosa Plastics, Nan Ya Plastics and Formosa Chemicals & Fibre) and domestic, regional and global petroleum producers (in the case of Formosa Petrochemical). A number of these international competitors have larger scale of operations and more significant financial resources, marketing and other capabilities than the Guarantors. These competitors may also benefit from greater economies of scale and operating efficiencies, or have a broader range of products or different product mix which may make them less susceptible to cyclical downturns. Emerging companies attempting to obtain a share of the existing markets may also act as competitors, creating price pressure on the Guarantors' products.

Other changes in the competitive environment could also have a material adverse effect on the Guarantors' businesses and operations, such as significant capacity expansion by competitors, entry of new competitors into the Guarantors' key markets, intensification of price competition from other producers (in particular producers with access to cheaper feedstock), adoption of new trade restrictions and adoption of new environmental laws and regulatory requirements.

Formosa Petrochemical also faces intense competition in the ROC from its domestic competitor, CPC Corporation. CPC Corporation is a state-owned petroleum, natural gas and gasoline company in the ROC and the largest player in the ROC's refined petroleum products market. In the past, competition between Formosa Petrochemical and CPC Corporation to capture market share has affected the prices of Formosa Petrochemical's products and its margins on sales of refined petroleum products in the ROC. There can be no assurance that price wars between Formosa Petrochemical and CPC Corporation will not recur in the future or that Formosa Petrochemical will be able to expand or maintain its market share against this bigger, state-owned competitor.

Increased competition could result in significant price competition, reduced revenues, lower profit margins or loss of market share, any of which could have a material adverse effect on the Guarantors' businesses, results of operations and financial conditions. See "Description of Formosa Plastics Corporation – Business – Competition", "Description of Nan Ya Plastics Corporation – Business – Competition", "Description of Formosa Chemicals & Fibre Corporation – Business – Competition" and "Description of Formosa Petrochemical Corporation – Business – Competition". There can be no assurance that the Guarantors will be able to compete successfully in the future against existing or potential competitors. If the Guarantors cannot respond to changes in market conditions more effectively than their competitors in the markets in which they operate, the Guarantors' reputation, business, financial position and results of operations may be adversely affected.

The development plans of the Guarantors involve significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties.

The Guarantors' businesses are capital intensive. The ability of the Guarantors to maintain and increase their revenues, net income and cash flows depends upon continued capital spending. The Guarantors' respective actual capital expenditures may vary significantly from these planned amounts due to various factors, including, among others, the ability to generate sufficient cash flows from operations to finance capital expenditures, ability to finance such expenditures through borrowings, other necessary investments and other requirements that are beyond the Guarantors' control. In addition, there can be no assurance as to whether, or at what cost, capital projects will be completed or the success of these projects if completed.

In addition, the Guarantors' investments in their subsidiaries and affiliates could require such Guarantors to make significant additional capital contributions, shareholder financing or contingent support, such as the provision of guarantees for bank financing activities, to fund such subsidiaries' or affiliates' operations or expansion.

The financing requirements of all members of the Formosa Group are handled centrally by the Finance Department of the General Administrative Office. The ability of the Guarantors to obtain external financing in the future is subject to a variety of uncertainties, including the following:

- the Guarantors' future results of operations, financial condition and cash flows;
- the economic, political and other conditions in the ROC and the PRC and the markets for the Guarantors' products;
- the costs of such financing, and the liquidity and condition of the financial markets and capital markets; and
- the issuance of any relevant government approvals and other project risks associated with the development of infrastructure in the ROC and the PRC.

Each of the Guarantors expects to make substantial capital expenditures in connection with the expansion of its production capacity, including additional investments in new facilities and investments relating to debottlenecking, modernizing and increasing production capacity of their existing manufacturing plants. Operating losses may be incurred if any of the Guarantors does not have adequate capital resources to complete its expansion plans or if actual expenditures exceed planned expenditures. There can be no assurance that any required additional financing, either on a short-term or long-term basis, will be made available to the Guarantors on satisfactory terms, if at all. If adequate funds are not available on satisfactory terms, the Guarantors may be forced to curtail expansion plans, which could result in a loss of customers, inability to successfully implement their respective business strategies and limitations on the growth of their businesses.

Risks Relating to the Operations and Financial Performance of the Guarantors

The Guarantors' businesses are substantially dependent on, and may compete with, one another as well as the businesses of other members of the Formosa Group. A disruption to the business operations of a member of the Formosa Group could have a material adverse effect on the business operations and financial performance of the Guarantors.

The Guarantors are operationally highly integrated with one another and each Guarantor relies on other members of the Formosa Group to provide it with various products and services necessary for its business activities, sometimes as the sole supplier. For example, Formosa Petrochemical plays a significant role in supplying a significant portion of the raw material needs of the other Guarantors. If the supply of raw materials by Formosa Petrochemical were, for any reason, disrupted or discontinued and the other Guarantors were unable to purchase sufficient raw materials of comparable quality on comparable terms from alternative sources of supply, this may result in material disruption to the other Guarantors' operations and their businesses and operating results could be materially and adversely affected.

In addition, a material portion of the net income of each Guarantor is derived from its investments in other members of the Formosa Group. The results of operations of other companies within the Formosa Group in which the Guarantors have significant interests may be adversely affected by a variety of factors, and the future impact on the net income of the Guarantors derived from their interests in other members of the Formosa Group cannot be accurately predicted.

Furthermore, various other members of the Formosa Group produce products that are similar to, or are substitutes for, certain products produced by the Guarantors. Accordingly, there may be direct and indirect competition, and conflicts of interest, among the Guarantors or between the Guarantors and other members of the Formosa Group. There can be no assurance that the Formosa Group will not favor the interests of certain of its members over the interests of any individual Guarantor.

See "Formosa Plastics Corporation – Principal Subsidiaries and Investee Companies", "Nan Ya Plastics Corporation – Principal Subsidiaries and Investee Companies", "Formosa Chemicals & Fibre Corporation – Principal Subsidiaries and Investee Companies", "Formosa Petrochemical Corporation – Principal Subsidiaries and Investee Companies", "Related Party Transactions", Note 7 to Formosa Plastics' Audited Consolidated Financial Statements as at and for the years ended 31 December 2013 and 2014, Note 7 to Nan Ya Plastics' Audited Consolidated Financial Statements as at and for the years ended 31 December 2013 and 2014, Note 7 to Formosa Chemicals & Fibre's Audited Financial Statements as at and for the years ended 31 December 2013 and 2014 and Note 7 to Formosa Petrochemical's Audited Financial Statements as at and for the years ended 31 December 2013 and 2014, all included elsewhere in this Offering Circular.

The operations of certain of the Guarantors in certain countries which are subject to OFAC and other economic sanctions may harm such Guarantors' reputations.

Certain of the Guarantors and their respective affiliates have, and may in future have, certain business outside of the ROC, including in countries that are on the sanctions list published and administrated by the Office of Foreign Assets Control ("OFAC") within the United States Department of the Treasury or subject to other international economic sanctions. Such sanctions are intended to address a variety of policy concerns, primarily denying certain countries and certain individuals and entities in those and other countries, the ability to support international terrorism and, in the case of Iran, North Korea and Syria, as well as certain individuals and entities in those and other countries, to pursue weapons of mass destruction and missile programs.

While the current businesses of the relevant Guarantors in such sanctioned countries are not for military purposes, that the contribution of such businesses to the relevant Guarantors are insignificant to the extent that the absence of which would not have any financial impact to the relevant Guarantors, and that the relevant Guarantors have internal control systems in place in relation to such businesses, there can be no assurance that such Guarantors and their affiliates will not be subject to any sanctions in these countries. The Guarantors could be subject to negative media or investor attention, which may distract management, consume internal resources and affect investors' perception of the Guarantors or the Formosa Group as a whole. In addition, the sanction laws of the United States and other jurisdictions have been evolving and changing frequently, and there is no guarantee that the internal control measures adopted by each Guarantor is sufficient for it to keep tracking such changes in a timely manner. The Guarantors cannot predict the interpretation or implementation of government policy at the United States federal, state or local levels with respect to any current or future activities by the Guarantors or their respective affiliates. As of the date of this Offering Circular, none of the Guarantors is aware of violating any sanctions rules and regulations.

Each of the Guarantors has a significant level of debt, and its ability to operate its businesses could be adversely affected if it is unable to service its debts, or if it breaches the covenants of its debts or the Notes and such breach is not waived.

The Guarantors have substantial debt payment obligations and must comply with various financial and other covenants contained under the relevant loan agreements, and under the Notes when they are issued. Under some of these loan agreements, the relevant Guarantor is required to notify the lenders, and in some cases obtain their prior written consent, if such Guarantor proposes to create mortgages on its assets, enter into new long-term contracts, authorize or issue additional capital stock or provide guarantees for the indebtedness of others. There can be no assurance that the interests of the Noteholders will not conflict with the interests of such lenders, or that any such conflict will not have an adverse effect on the interests of the Noteholders. Any failure to obtain waivers for any existing or future non-compliance of, or any failure in the future to comply with, such undertakings or restrictive covenants may result in the acceleration of the relevant indebtedness and, through cross-default clauses, other indebtedness. Any such developments would have a material adverse effect on the results of operations and financial condition of such Guarantor.

The Guarantors' ability to make payments on and to refinance their indebtedness, including the Notes, to comply with the financial covenants of such indebtedness and to fund planned capital expenditures will depend on their ability to generate sufficient cash in the future, which is subject to many factors beyond their control. Certain of the Guarantors have on prior occasions been required to restructure its indebtedness to adjust its repayment schedule. No assurance can be given that the Guarantors will not need to restructure their indebtedness in the future or that they will be able to refinance any of their indebtedness on commercially acceptable terms or at all. In addition, as the Guarantors rely on borrowings to meet a substantial part of their capital expenditure requirements, the Guarantors may be exposed to risks inherent in interest rate fluctuations. Any significant increase in interest rates will result in a substantial increase in the interest expenses of the Guarantors, which may materially and adversely affect their businesses, financial conditions, results of operations and expansion plans.

Fluctuations in exchange rates could adversely affect the businesses and results of operations of the Guarantors.

Historically, a significant portion of the operating revenues of each Guarantor has been denominated in New Taiwan dollars and a significant portion of the operating costs of the Guarantors has been denominated in U.S. dollars. In addition, the Guarantors have financial liabilities denominated in foreign currencies such as U.S. dollars, Renminbi and Vietnamese Dong.

Foreign currency denominated transactions of the Guarantors are recorded on the date they occur in New Taiwan dollars using the prevailing exchange rate for such date. The realized gains or losses resulting from the application of a different foreign exchange rate when the transaction is settled and the amount received or paid in settlement is converted into or from New Taiwan dollars and credited or charged to income or costs, as the case may be. For further details in relation to foreign currency transactions of the Guarantors, see Note 4 to Formosa Plastics' Audited Consolidated Financial Statements as at and for the years ended 31 December 2013 and 2014, Note 4 to Nan Ya Plastics' Audited Consolidated Financial Statements as at and for the years ended 31 December 2013 and 2014, Note 4 to Formosa Chemicals & Fibre's Audited Financial Statements as at and for the years ended 31 December 2013 and 2014 and Note 4 to Formosa Petrochemical's Audited Financial Statements as at and for the years ended 31 December 2013 and 2014, all included elsewhere in this Offering Circular.

Changes in the rates of exchange between the New Taiwan dollar and the foreign currencies in which the Guarantors' transactions are denominated may adversely affect the gross and operating profit margins of the Guarantors and result in foreign exchange and operating losses. While the Guarantors currently hedge their foreign exchange exposure (primarily risks relating to outstanding long-term debt) through forward exchange contracts, foreign currency options, currency swaps, commodity swaps or other derivative contracts, the impact of future exchange rate fluctuations on the Guarantors' financial conditions or results of operations cannot be accurately predicted. Any fluctuation in exchange rates that is outside the expectations or hedging parameters of the Guarantors could have a material adverse effect on the results of operations and financial conditions of the Guarantors.

The manufacturing processes of the Guarantors are highly complex.

Petroleum refining, naphtha cracking and the production of chemicals, plastics, polyester and other petrochemical products involve highly complex and precise processes, requiring production in tightly controlled environments. As a result, the operations of the Guarantors are vulnerable to manufacturing problems, including the following:

- The Guarantors may experience problems in achieving an acceptable success rate in the production of their products. The likelihood of facing such difficulties is higher in connection with the transition to new manufacturing methods. As technological advances become more rapid, manufacturing activities become more complex and prone to more problems. The interruption of certain processes or the failure to achieve acceptable refining and/or manufacturing yields at any of their facilities would adversely affect the businesses and results of operations of the Guarantors.

- While the Guarantors rely primarily on machinery and equipment produced internally by members of the Formosa Group, a substantial majorityof the machinery and equipment is based on product design and manufacturing process technologies licensed from or co-developed with other technology companies. The Guarantors expect for the foreseeable future to continue manufacturing a substantial majority of their products based on the technologies licensed from unaffiliated parties. There can be no assurance that these technology companies will license to or co-develop with the Guarantors additional advanced technologies in the future on terms satisfactory or reasonable to the Guarantors, or at all. In the event that the Guarantors are unable to license from or co-develop with other technology companies the essential technologies, the Guarantors must attempt to develop such technologies internally within the Formosa Group. There can be no assurance that the Guarantors or members of the Formosa Group will be able to develop such technologies successfully or in a time frame that is competitive.

- Substantial amounts of electricity are consumed in the Guarantors' production processes. In order to reduce the loss of works-in-progress and to facilitate smooth resumption of electricity supply, backup power generators and a dynamic uninterrupted power system are maintained for the purpose of providing electricity to machinery and equipment until they can be safely turned off or switched to backup electricity supply. However, there can be no assurance that results of operations or financial conditions of the Guarantors will not be adversely affected in the event of power interruption.

The Guarantors' operations may be adversely affected if they are unable to overcome manufacturing problems or secure access to advanced manufacturing process technologies in a timely and cost-effective manner.

The operations of the Guarantors are subject to inherent operational risks.

The operations of the Guarantors, which include the production of chemicals, the use of chemicals for manufacturing and operation of manufacturing facilities, include many risks and hazards, including fires, explosions, toxic gas and liquid leakages during trial production, underground water leakages and other environmental hazards and industrial accidents. Although the Guarantors have adopted stringent risk control procedures for the operation of their facilities, it may not be possible to eliminate such risks through the implementation of preventive measures and such facilities, as currently operated, could the source of industrial accidents. For example, in 2011, as a result of a fire which broke out at a common pipeline at the No. 6 Naphtha Cracker Complex, an area-wide suspension of production was ordered by the ROC government authorities to allow safety checks to be conducted. Operations of several facilities in the No. 6 Naphtha Cracker Complex were consequently suspended for several months, which adversely affected the results of the Formosa Group in 2011 and 2012. The facilities of the Guarantors may also be located in industrial areas where other activities subject to similar risks are operated, such that the facilities of the Guarantors may be impacted by accidents occurring at neighboring facilities owned by other operators which are not under the control of the Formosa Group.

In addition to the foregoing hazards, the Guarantors are also subject to additional risks of mechanical failure and power outages, prolonged equipment breakdown, labor difficulties, transportation interruptions and terrorist attacks. These instances may similarly result in disruptions to the Guarantors' operations, or disruptions or damage to the Guarantors' production facilities.

There is no guarantee that such risks will not have a material adverse effect on the Guarantors in the future. The occurrence of any such or other problems could result in personal injuries or death, environmental damage or damage to properties and production facilities leading to reduced output, which may adversely affect the financial conditions and results of operations of the Guarantors. Any of these consequences, to the extent they are significant, could result in business interruption, legal liability and damage to the Guarantors' business reputations and corporate images.

The Guarantors' insurance coverage may not adequately protect them against certain operating hazards.

The nature of the Guarantors' businesses, including the transportation of crude oil, the handling, production and transportation of petrochemical and refined petroleum products and the storage and sale of petroleum products, are inherently dangerous and involve many hazards. While the Guarantors maintain insurance coverage in line with what their respective managements believe to be the relevant industry practice in the ROC, there can be no assurance that the insurance taken on by each Guarantor is sufficient. To the extent that any such interruption or suspension of operations, disruption or damage to production facilities or imposition of civil or criminal penalties are not fully covered by the Guarantors' insurance policies, the Guarantors' income and cash flows may be adversely affected.

With respect to losses which are covered by the Guarantors' policies, it may be difficult and may take time to recover such losses from insurers. In addition, they may not be able to recover the full amount from the insurer. There can be no assurance that their policies would be sufficient to cover all potential losses, regardless of the cause, or whether it can recover such losses at all. Accordingly, there may be circumstances in which the Guarantors will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect its financial position and results of operations.

The Guarantors are subject to significant environmental regulations.

Each Guarantor is subject to a variety of national and local environmental laws and regulations which impose limitations on the discharge of pollutants into the air and water, establish standards for the treatment, storage and disposal of solid and hazardous wastes and impose fines for serious environmental violations. The Guarantors' operations generate gaseous chemical wastes, liquid wastes, waste water and other industrial wastes in various stages of the refining and manufacturing process. As a result, the Guarantors' operations may be affected by environmental laws and regulations, including in the following manner:

- The Guarantors' production sites in the ROC and overseas, including the PRC and the United States, are subject to regulations of, and periodic monitoring by, the national and local environmental protection authorities. Although the Guarantors believe that their activities conform to current applicable environmental laws and regulations in all material respects, environmental claims or the failure to comply with current or future laws and regulations could result in assessment of damages or imposition of fines against them, suspension of production or cessation of operations. New regulations could require the Guarantors to acquire expensive equipment or to incur other significant expenses. Any failure by any Guarantor to control the use of, or adequately restrict the discharge of, hazardous substances could subject such Guarantor to future liabilities and sanctions.

- From time to time, environmental concerns have delayed or forced the cancellation of major public-works projects in the ROC, and have in the past led to delays in obtaining the required approvals for a number of major new industrial projects. Although none of the Guarantors have encountered such difficulties in the construction of their respective facilities so far, there can be no assurance that their new projects will not arouse environmental concerns.

- A number of foreign countries and local governments have enacted, or have under consideration, laws and regulations relating to the use and disposal of plastics products, especially those products containing PVC. For example, the Environmental Protection Administration Executive Yuan, ROC (Taiwan) has adopted measures to limit the use of plastics dinner service and plastics bags in retail stores and food shops in the ROC. Widespread adoption of such laws, regulations or proposals, or public perception, could have an adverse impact on sales of plastics products by members of the Formosa Group.

The Guarantors are exposed to regulatory risks on production safety.

The Guarantors are subject to extensive laws, rules, regulations and policies relating to production safety imposed by the governments of the jurisdictions in which the Guarantors have operations. As a result, the Guarantors may face significant constraints on their flexibility and ability to expand business operations or optimize profitability. There can be no assurance that more stringent laws, rules, regulations or policies regarding production safety will not be implemented or that existing laws, rules, regulations and policies will not be more stringently enforced. Changes in regulations and policies may also adversely affect the operations of the Guarantors by significantly increasing the costs of complying with the relevant government regulations.

If the Guarantors are not able to renew or maintain the permits and approvals required to operate their businesses, this may have a material adverse effect on their businesses.

The Guarantors require certain permits and approvals to operate their businesses and/or facilities. In the future, the Guarantors may be required to renew such permits and approvals or to obtain new permits and approvals. Although each Guarantor has obtained all material approvals required to conduct its present operations and believes it will be able to obtain any such new permits and approvals, there can be no assurance that the relevant authorities will issue any such permits or approvals in the time frame anticipated by the Guarantors or at all. Failure by any Guarantor to renew, maintain or obtain the required permits and approvals and technology licenses may lead to interruptions or suspensions in such Guarantor's operations or delay or prevent implementation of any planned capacity expansion programs, thereby having adversely affecting such Guarantor's results of operations, financial condition and prospects. A failure or delay in obtaining any additional regulatory approvals required in the future may also require such Guarantor to rectify any production safety problems within a limited period.

The Guarantors depend on their key senior management members and key senior officers and may have difficulty in attracting and retaining skilled employees.

The Guarantors' success in maintaining and expanding their businesses depends, to a significant extent, upon the abilities, expertize and efforts of their key senior management members and key senior officers and skilled employees in each of their business areas. There is significant competition in the ROC for skilled personnel, especially experienced middle-level and senior-level management, with the skills necessary to perform the services or to monitor the products offered by the Guarantors to their customers. If the Guarantors lose, or fail to hire, the services of their key senior management members or key senior officers or skilled employees, they may face difficulties in employing and integrating suitable replacement personnel in the short term or delay their expansion plans. Failure to recruit, train, develop and retain personnel with the qualifications necessary to fulfil the needs of the Guarantors' businesses or to assimilate new personnel successfully may lead to the termination of some of the Guarantors' contracts, abortion of some of their projects or delay in their business expansion plans. In addition, if any key senior management members or key senior officers of any Guarantor joins a competitor or forms a competing company, such Guarantor may lose customers and suppliers and incur additional expense to recruit and train personnel. All of these in turn would have a material adverse effect on such Guarantor's business, prospects, financial condition and results of operations.

Risks Relating to the ROC

The Guarantors' investments may be adversely affected by political considerations relating to the ROC.

The Guarantors are all incorporated in the ROC and most of their production sites are located in the ROC. The ROC has a unique international political status. The PRC government asserts sovereignty over the ROC and does not recognize the legitimacy of the ROC government. Although significant economic and cultural relations have been established during recent years between the ROC and the PRC, the PRC government has indicated that it may use military force to gain control over the ROC in certain circumstances, such as in the event of any declaration of independence by the ROC. Certain past developments in relations between the ROC and the PRC have occasionally adversely affected the market value of Taiwanese companies and the value of the ROC Stock Exchange Weighted Stock Index and the ROC TPEx Index. Relations between the ROC and the PRC and other factors affecting the political or economic conditions of the ROC may affect the businesses and financial performance of the Guarantors as an increase in tensions between the ROC and the PRC may affect the availability of the PRC as an export market for their products. The possibility of instability and uncertainty could have a significant adverse impact on the economy of the ROC, and investors may adopt a more cautious approach towards the ROC securities markets or investments in the ROC in general, and such factors could cause the value of the Notes to fall.

The ROC is vulnerable to adverse weather conditions and natural disasters and because the Guarantors and some of their customers and suppliers are based in the ROC, they are vulnerable to such conditions, disasters and other events outside of their control, which may adversely and materially disrupt their operations.

The headquarters of the Guarantors and most of their existing manufacturing operations, as well as the operations of some of their customers and suppliers, are located in the ROC, which is vulnerable to natural disasters. As a result of this geographic concentration, disruption of operations at its production sites or the facilities of its customers or suppliers for any reason, including work stoppages, power outages or water supply shortages, fire, typhoons, earthquakes, adverse weather conditions or other natural disasters, would cause delays in production and shipments of its products or require additional investment to repair any damage caused. For example, because of the piping corrosion caused by Mailiao's adverse climate, the Formosa Group has invested approximately U.S.$481 million since September 2011 to replace worn pipelines and structures in the No. 6 Naphtha Cracker Complex and to install new pipelines. In total, 25.9 km of pipeline structures were restored, 99 high-risk pipelines were dismantled and 72 high-risk pipelines were replaced. In addition, natural disasters could result in damage to its facilities or property or cause significant business interruptions. This could lead its customers to obtain products from other sources. The occurrence of any of these events in the future could seriously hurt its business.

Any future outbreak of a severe contagious disease may materially and adversely affect the businesses and results of operations of the Guarantors.

The outbreak of any severe contagious disease, such as Influenza A viruses (including the H7N9, H1N1 and H5N1 subtypes), severe acute respiratory syndrome ("SARS"), avian influenza or Ebola virus disease ("Ebola"), could result in interruption of the Guarantors' businesses and adversely affect their financial conditions and results of operations. The operations of the Guarantors could be disrupted if any of their staff members were suspected of having the Influenza A virus, SARS, avian influenza or Ebola, since this could require them to quarantine some or all of their sales and production staff or to disinfect their facilities. During periods of curtailed activity, the Guarantors may continue to incur operating expenses while revenue from operations may be delayed or reduced, or a temporary closure of the Guarantors' production or other facilities may be required. Such closures would severely disrupt the Guarantors' operations and adversely affect their businesses, financial conditions and results of operations. Such outbreaks may also have severe impacts on the overall business sentiments and environment in the ROC and overseas, in turn leading to slower economic growth in the global economy. A prolonged outbreak of Influenza A, any recurrence of SARS, avian influenza, the spread of Ebola virus disease to Asia or other adverse public health developments in the ROC or elsewhere in the world could therefore have a material adverse effect on the Guarantors' business operations.

The adoption by the Guarantors of the International Financial Reporting Standards issued by the International Accounting Standards Board, International Accounting Standards, IFRIC Interpretation and SIC Interpretation as endorsed by the ROC Financial Supervisory Commission, may affect their financial statements.

In line with the announcement of the ROC Financial Supervisory Commission on 14 May 2009, each Guarantor first adopted IFRS as endorsed by the FSC for the preparation of its financial statements effective 1 January 2013 and restated its financial statements (which were previously prepared in accordance with ROC GAAP) for the comparative corresponding period for the year ending 31 December 2012 with the adjusted opening IFRS as endorsed by the FSC balances as at 1 January 2012. As ROC GAAP differs in certain material respects from IFRS as endorsed by the FSC and the adoption of IFRS as endorsed by the FSC requires the retrospective application of the most recent standards to the financial statements of prior years, subject to certain exemptions and exceptions, the impact from the retrospective adjustments may affect each Guarantor's retained earnings as at 1 January 2012 and its financial statements. For the identification and quantification of the impact of adopting IFRS as endorsed by the FSC for the year ended 31 December 2012 and the opening balance sheet as at 1 January 2012, see Note 14 to Formosa Plastics' Audited Consolidated Financial Statements as at and for the year ended 31 December 2013, Note 14 to Nan Ya Plastics' Audited Consolidated Financial Statements as at and for the year ended 31 December 2013, Note 14 to Formosa Chemicals & Fibre's Audited Financial Statements as at and for the year ended 31 December 2013 and Note 15 to Formosa Petrochemical's Audited Financial Statements as at and for the year ended 31 December 2013, all included elsewhere in this Offering Circular.

Risks Relating to the PRC

The Guarantors may encounter difficulties in their operations in the PRC.

In order to cater for the needs of their customers which have relocated to the PRC, certain of the Guarantors have established manufacturing plants in various locations in the PRC, including Ningbo and Kunshan. These investments in the PRC pose certain risks and uncertainties, including:

- The PRC is required under its World Trade Organization commitments to liberalize and improve access to a number of its markets, but the enduring political standoff between the ROC and the PRC has prevented the entering into of commodity and service trade agreements between them. As a result, the Guarantors face increased competition brought by the integration of regional economies, such as the introduction of tariff-free treatment for the five most common plastics produced in the PRC and ASEAN pursuant to various free trade agreements to which the ROC is not party. The Guarantors also face increased competition from other manufacturers in the PRC, especially in relation to products of a lower quality and also in relation to commoditized products.

- Each Guarantor with operations in the PRC has certain minority interests in a number of affiliates and joint venture entities established in the PRC in connection with its operations. Such investments may involve special risks associated with the possibility that the other shareholders or joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of such Guarantor; (ii) take actions that are contrary to the instructions or requests of such Guarantor or contrary to the policies or objectives of such Guarantor; (iii) be unable or unwilling to fulfil their obligations under the relevant joint venture or shareholders' agreements; or (iv) have financial difficulties.

The Guarantors require various licences and permits to operate their businesses in the PRC and failure to renew any or all of these licences and permits could materially adversely affect their businesses.

A number of the production facilities of Formosa Plastics, Nan Ya Plastics and Formosa Chemicals & Fibre are located in the PRC. In accordance with PRC laws and regulations, such Guarantors are required to maintain various licences and permits in order to operate its production facilities, and are also required to comply with applicable safety and environmental standards in relation to their manufacturing processes. The premises of such Guarantors are subject to regular inspections by the regulatory authorities for compliance with the relevant PRC laws and regulations. Failure by any Guarantor to pass these inspections, or otherwise to obtain renewed licences and permits, could lead to temporary or permanent suspension of some or all of such Guarantor's manufacturing activities, which would materially and adversely affect its business and results of operations.

Changes in the PRC's economic, political and social conditions as well as governmental policies could affect the businesses, financial conditions and results of operations of the Guarantors.

36.8 per cent., 36.8 per cent., 42.0 per cent. and 4.0 per cent. of the consolidated operating revenues for the year ended 31 December 2014 of Formosa Plastics, Nan Ya Plastics, Formosa Chemicals & Fibre and Formosa Petrochemical, respectively, is derived from such Guarantor's sales and operations in the PRC. Accordingly, the businesses, financial conditions and results of operations of the Guarantors are and will continue to be subject to economic, political and legal developments in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including the economic structure, extent of government involvement, allocation of resources, control of capital investment, level of development, growth rate and government control of foreign exchange. The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures to emphasize the utilization of market forces in economic development. These reforms have brought about marked economic growth and social progress in the PRC. However, there is no assurance that the PRC government will continue to pursue economic reforms. In addition, while the PRC's economy has experienced significant growth in the last two decades, growth has been uneven across both geographic regions and the various sectors of the economy. The Guarantors cannot predict future changes in the PRC's political, economic, social and tax conditions, laws, regulations and policies and whether these will have any adverse effect on their current or future businesses, financial conditions and results of operations.

Future fluctuations in the value of the Renminbi could have a material adverse effect on the Guarantors' financial conditions and results of operations.

While the functional currency of majority of the members of the Guarantors is New Taiwan dollars, a portion of each Guarantor's operating revenues, operating costs and financial liabilities is denominated in Renminbi. As a result, fluctuations in exchange rates could affect the Guarantors' profitability and may result in foreign currency exchange losses of their foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies has been based on rates set daily by the People's Bank of China (the "PBOC") based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. On 19 June 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further appreciation or depreciation of the Renminbi against the New Taiwan dollar. There can be no assurance that the Renminbi will not experience significant appreciation or depreciation against the New Taiwan dollar in the future. The Guarantors have outstanding long-term debts and any fluctuation in the exchange rate between Renminbi and the new Taiwan dollar may affect the Guarantors's financial condition.

Risks Relating to the Notes

The Guarantee is provided on a several basis and if any Guarantor defaults on its obligations under the Guarantee, Noteholders do not have recourse to the other non-defaulting Guarantors.

Each Guarantor will guarantee, on a several basis, only 25 per cent. of the payment obligations of the Issuer in respect of all sums expressed to be payable by it under the Trust Deed and the Notes. Therefore, in the event of any claim made against the Guarantors under the Trust Deed or the Notes other than in respect of a breach or liability of a particular Guarantor, each Guarantor's liability shall be limited to only 25 per cent. of such claim. If there is any default by any Guarantor in respect of its obligations under the Guarantee, Noteholders do not have recourse to the non-defaulting Guarantors and Noteholders may not be able to recover in full payments owed to them under the Guarantee. Noteholders should assess the credit risk of each Guarantor and the Issue prior to making any investments in the Notes.

The Issuer is a company with no material assets and will rely on remittances from other members of the Formosa Group to make payments under the Notes.

The Issuer will not conduct business or any other activities other than the offering, sale or issuance of indebtedness and the lending of the proceeds thereof to any member of the Formosa Group and any other activities in connection therewith or related thereto. The Issuer does not and will not have any material assets other than amounts due to it from the members of the Formosa Group, and its ability to make payments under the Notes will depend on its receipt of timely remittances from other members of the Formosa Group.

An active trading market for the Notes may not develop.

The Notes are a new issue of securities for which there is currently no trading market. The Issuer and the Guarantors cannot predict whether an active trading market for the Notes will develop or give any assurance as to the liquidity or sustainability of any such market, the ability of Noteholders to sell their Notes or the price at which Noteholders will be able to sell their Notes. The Notes may be allocated to a limited number of investors, in which case liquidity may be limited.

The Managers are not obliged to make a market in the Notes and any such market making, if commenced, may be discontinued at any time without notice at the sole discretion of the Managers. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, Noteholders will only be able to resell the Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. Neither the Issuer nor the Managers can predict whether an active trading market for the Notes will develop or be sustained.

International financial markets and world economic conditions may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for ROC securities is, to varying degrees, influenced by economic and market conditions in other markets. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the ROC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be volatile. Factors such as variations in the Guarantors' respective consolidated revenues, earnings and cash flows and the proposals of new investments, acquisitions and/or strategic alliances, changes in interest rates, fluctuations in prices for the securities of comparable companies, the general state of the securities market and market conditions in the Guarantors' industries could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes trade. There is no assurance that these developments will not occur in the future.

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertize (either alone or with the help of a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Notes and the Guarantee are unsecured obligations.

As the Notes and the Guarantee are unsecured obligations, the repayment of the Notes and payment under the Guarantee may be adversely affected if:

(i) the Issuer or any Guarantor enters into bankruptcy, liquidation, reorganization or other winding-up proceedings;

(ii) there is a default in payment under the Issuer's or any Guarantor's future secured indebtedness or other unsecured indebtedness; or

(iii) there is an acceleration of the Issuer's or any Guarantor's indebtedness.

If any of these events were to occur, the assets of the Issuer or the Guarantors may not be sufficient to pay amounts due on the Notes.

The Issuer may be unable to redeem the Notes.

On certain dates, including the occurrence of any early redemption event specified in the Terms and Conditions and at maturity of the Notes, the Issuer may, and at maturity, will, be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to redeem the Notes by the Issuer, in such circumstances, would constitute an Event of Default under the Notes, which may also constitute a default under the terms of other indebtedness of any Guarantor.

Claims by Noteholders under the Guarantee are structurally subordinated to all existing and future indebtedness and other liabilities of each Guarantor's subsidiaries and affiliates.

As each Guarantor is a holding company and partially dependent upon the earnings of, and distribution by, its subsidiaries and affiliates in order to perform its obligations under the Notes, payments under the Guarantee are structurally subordinated to all existing and future indebtedness and other liabilities and commitments, including trade payables and lease obligations, of each Guarantor's existing and future subsidiaries and affiliates, whether or not secured. Claims of creditors of such companies will have priority as to the assets of such companies over the relevant Guarantor and its creditors, including Noteholders seeking to enforce the Guarantee. Each Guarantor's obligations under the Guarantee will not be guaranteed by any of its subsidiaries, and each Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to it. The Notes do not contain any restrictions on the ability of each Guarantor's subsidiaries to incur additional unsecured indebtedness.

The insolvency laws of the Cayman Islands, the ROC and other local insolvency laws may differ from those of another jurisdiction with which Noteholders are familiar.

As the Issuer is incorporated under the laws of the Cayman Islands and each Guarantor is incorporated under the laws of the ROC, any insolvency proceedings relating to the Issuer or any Guarantor even if brought in other jurisdictions, would likely involve the Cayman Islands or ROC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which Noteholders are familiar.

The Trustee may request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including, without limitation, the giving of notice pursuant to Condition 9 of the Terms and Conditions of the Notes and the taking of enforcement steps pursuant to Condition 13 of the Terms and Conditions of the Notes), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding, in breach of the terms of the Trust Deed or the Terms and Conditions of the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for Noteholders to take such actions directly.

Modifications and waivers in respect of the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement may be made by the Trustee without the consent of Noteholders.

The Terms and Conditions of the Notes provide that the Trustee may, without the consent of Noteholders, agree to any modification of the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Noteholders and to any modification of the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorize or waive any proposed breach or breach of the Notes, the Trust Deed, the Terms and Conditions of the Notes and/or the Agency Agreement (other than a proposed breach or breach relating to the subject of certain reserved matters) if in the opinion of the Trustee the interests of the Noteholders will not be materially prejudiced thereby.

Decisions that may be made on behalf of all Noteholders may be adverse to the interests of individual Noteholders.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Noteholders may be adverse to the interests of the individuals.

The Notes are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer or any Guarantor as to whether or not payments on the Notes may be free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or the ROC or any authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Notes, the Issuer or, as the case may be, the relevant Guarantor is required to gross up payments on account of any such withholding or deduction, the Issuer also has the right to redeem the Notes at any time in the event it has or will become obliged to pay additional amounts as provided in the Terms and Conditions of the Notes as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands (in the case of a payment by the Issuer) or the ROC (in the case of a payment by the relevant Guarantor(s)) or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 April 2015.

The Issuer may issue additional Notes in the future.

The Issuer may, from time to time, and without prior consultation of the Noteholders, create and issue further Notes or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

A change in English law, which governs the Notes, may adversely affect Noteholders.

The Terms and Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following, subject to modification and other than the words in italics, is the text of the terms and conditions of the Notes which will appear on the reverse of each of the definitive Certificates evidencing the Notes:

The issue of the U.S.$1,000,000,000 3.375 per cent. guaranteed notes due 2025 (the "**Notes**", which term shall include, unless the context requires otherwise, any additional Notes issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorized by a resolution of the Board of Directors of Formosa Group (Cayman) Limited (the "**Issuer**") setting up a committee to approve of the documents under the Notes (the "**Committee**") passed on 18 March 2015 and the written resolutions of the sole member of the Committee dated 2 April 2015 and the guarantee of the Notes was authorized by resolutions of the Board of Directors of each of Formosa Plastics Corporation, Nan Ya Plastics Corporation, Formosa Chemicals & Fibre Corporation and Formosa Petrochemical Corporation (together, the "**Guarantors**" and each, a "**Guarantor**") passed on 24 March 2015, 25 March 2015, 20 March 2015 and 19 March 2015, respectively. The Notes are constituted by a Trust Deed (the "**Trust Deed**") dated on or about 22 April 2015 between the Issuer, the Guarantors and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**" which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes. Copies of the Trust Deed, and of the Agency Agreement (the "**Agency Agreement**") dated on or about 22 April 2015 relating to the Notes between the Issuer, the Guarantors, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**"), The Hongkong and Shanghai Banking Corporation Limited as initial principal paying agent (the "**Principal Paying Agent**") and transfer agent (the "**Transfer Agent**") and any other agents named in it, are available for inspection during usual business hours at the specified office of the Principal Paying Agent (presently at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong). "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Notes. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement.

All capitalized terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Notes are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" means the person in whose name a Note is registered.

*Upon issue, the Notes will be represented by a global certificate (the "**Global Certificate**") deposited with a common depositary for, and representing Notes registered in the name of a nominee of such common depositary for, Euroclear and Clearstream, Luxembourg. These Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions relating to the Notes While in Global Form".*

2 Transfers of Notes

(a) **Transfer:** A holding of Notes may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer Free of Charge:** Certificates on transfer shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods:** No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(b) or (iii) during the period of seven days ending on (and including) any Record Date.

3 Guarantee and Status

(a) **Guarantee:** Each Guarantor has unconditionally and irrevocably guaranteed, on a several basis, 25 per cent. of the payment obligations of the Issuer in respect of all sums expressed to be payable by it under the Trust Deed and the Notes. The obligations of the Guarantors in that respect (together, the "**Guarantee**") are contained in the Trust Deed (and any supplement thereto). The obligations of each Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) **Status:** The Notes constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4 Covenants

(a) **Negative Pledge:** So long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor any Guarantor will, and each of the Issuer and the Guarantors will ensure that none of their respective Subsidiaries will create, or permit to subsist, any mortgage, charge, lien, pledge or other form of encumbrance or security interest ("**Security**"), upon the whole or any part of the property, assets or revenues of the Issuer, any Guarantor or such Subsidiary, as the case may be, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) any payment of any sum due in respect of or under any guarantee of or payment indemnity or other like obligation relating to any such International Investment Securities, unless, in any such case, at the same time or prior thereto, either (i) the same Security is granted to the holders of the Notes or (ii) there is outstanding any guarantee, indemnity or other like obligation or such other security that is not materially less beneficial to the holders of the Notes or as shall be approved by an Extraordinary Resolution.

(b) **Rating:** So long as any Note remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution, the Issuer and the Guarantors will maintain a rating on the Notes by a Rating Agency.

For the purposes of these Conditions:

"**International Investment Securities**" means bonds, debentures, notes or other similar investment securities evidencing indebtedness with a maturity of not less than one year that (a) either (i) are by their terms payable, or confer a right to receive payment, in any currency other than NT dollars or (ii) are denominated or payable in NT dollars and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside the ROC by the relevant entity or with the authorization of the relevant entity; and (b) are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange, quotation system or over-the-counter or other similar securities market outside the ROC;

"**NT dollars**" are to the legal currency of the Republic of China, Taiwan;

"**Rating Agency**" means (a) Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors ("**S&P**"); or (b) if S&P shall not make a rating of the Notes publicly available, Fitch Ratings or Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and their respective successors or any other reputable credit rating agency of international standing;

"**ROC**" means the island of Taiwan and other areas under the effective control of the Republic of China; and

"**Subsidiary**" means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or (b) any company or other business entity which at any time has its financial statements consolidated with those of that person or which, under the laws of the Cayman Islands (in the case of the Issuer) or ROC law (in the case of any Guarantor), regulations or generally accepted accounting principles from time to time, should have its financial statements consolidated with those of that person.

5 Interest

The Notes bear interest on their outstanding principal amount from and including 22 April 2015 at the rate of 3.375 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$16.875 per Calculation Amount (as defined below) on 22 April and 22 October in each year (each an "**Interest Payment Date**").

Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including 22 April 2015 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

(a) **Final Redemption:**

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 22 April 2025 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Taxation Reasons:**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on any Interest Payment Date, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or the relevant Guarantor(s), as the case may be) satisfies the Trustee immediately prior to the giving of such notice that it (or, if the Guarantee was called, the relevant Guarantor(s)) has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands (in the case of a payment by the Issuer) or the ROC (in the case of a payment by the relevant Guarantor(s)) or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 April 2015 and (ii) such obligation cannot be avoided by the Issuer (or the relevant Guarantor(s), as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the relevant Guarantor(s), as the case may be) would be obliged to pay such Additional Amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer (or of the relevant Guarantor(s), as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred, and a written opinion of independent legal or tax advisors of recognized standing to the effect that the Issuer (or the relevant Guarantor(s), as the case may be) has or will become obliged to pay such Additional Amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) of this Condition 6(b), in which event the same shall be conclusive and binding on the Noteholders.

(c) **Notice of redemption:** All Notes in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6.

(d) **Purchase:** The Issuer, the Guarantors and any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantors or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for, *inter alia*, the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 12(a).

(e) **Cancellation:** All Certificates representing Notes purchased by or on behalf of the Issuer, any Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantors in respect of any such Notes shall be discharged.

7 Payments

(a) **Method of Payment:**

(i) Payments of principal and interest shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in U.S. dollars by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in U.S. dollars maintained by the payee with a bank.

So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Payment Initiation:** Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value the due date, or if that is not a business day, for value the first following day which is a business day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(e) **Delay in Payment:** Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a business day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment.

(f) **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in New York City and in the ROC.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantors in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or the ROC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer or as the case may be, the relevant Guarantor shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

(a) **Other connection:** held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Cayman Islands or the ROC other than the mere holding of the Note; or

(b) **Surrender more than 30 days after the Relevant Date:** in respect of which the certificate representing it is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such Additional Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days; or

(c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) **Payment by another Paying Agent:** by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a European Union member state.

"**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Guarantor, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction.

9 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least 20 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantors that the Notes are, and the Notes shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment of Principal:** the principal of any of the Notes is not paid after the same has become due and payable in accordance with these Conditions;

(b) **Non-Payment of Interest:** any interest on any of the Notes is not paid within five days from the due date thereof after the same has become due and payable in accordance with these Conditions; or

(c) **Breach of Other Obligations:** the Issuer or any Guarantor defaults in performance or observance of or compliance with any one or more of its other obligations set out in the Notes or the Trust Deed which default is incapable of remedy or is not remedied within 30 days after written notice of such default shall have been given to the Issuer or the relevant Guarantor by the Trustee; or

(d) **Cross-Default:** (i) any other present or future indebtedness of the Issuer, any Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period originally provided for, or (iii) the Issuer, any Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee or indemnity or arrangement or obligations having a like or similar effect (howsoever described) for any moneys borrowed or raised by any person, provided that the aggregate amount of the relevant indebtedness and guarantees in respect of which one or more of the events mentioned above in this Condition 9(d) have occurred equals or exceeds (a) U.S.$10,000,000 in relation to the Issuer and any of its Principal Subsidiaries, (b) U.S.$30,000,000 in relation to Formosa Plastics Corporation and any of its Principal Subsidiaries, (c) U.S.$30,000,000 in relation to Nan Ya Plastics Corporation and any of its Principal Subsidiaries, (d) U.S.$30,000,000 in relation to Formosa Chemicals & Fibre Corporation and any of its Principal Subsidiaries, or (e) U.S.$30,000,000 in relation to Formosa Petrochemical Corporation and any of its Principal Subsidiaries, or their equivalent in any other currency (determined as provided below); or

(e) **Enforcement Proceedings:** an encumbrancer takes possession or a receiver, manager or similar officer is appointed, or a distress, execution or seizure before judgment is levied, enforced or sued out upon, against or in respect of the whole or any substantial part of the undertaking, property, assets or revenues of the Issuer, any Guarantor or any Principal Subsidiary and the same is not stayed, discharged, released or satisfied (as the case may be) within 30 days of such taking of possession, appointment, levying, enforcement or suing out (as the case may be); or

(f) **Insolvency:** the Issuer, any Guarantor or any Principal Subsidiary becomes bankrupt or insolvent or is unable to pay its debt as they mature or applies for or consents to or suffers the appointment of an administrator, liquidator (except for the purpose of and followed by a voluntary solvent reorganization, merger, consolidation, amalgamation or other similar arrangement the terms of which have been previously approved by an Extraordinary Resolution of the holders of the Notes or as permitted under Condition 18) or receiver (or other similar official) of the Issuer, any Guarantor or any Principal Subsidiary, or in respect of the whole or any substantial part of the undertakings, property, assets or revenues of the Issuer, any Guarantor or any Principal Subsidiary, or the Issuer, any Guarantor or any Principal Subsidiaries stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium or standstill is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, any Guarantor or any Principal Subsidiary; or

(g) **Security Enforced:** any security on or over any part of the assets of the Issuer, any Guarantor or any Principal Subsidiary is enforced; or

(h) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, any Guarantor or any Principal Subsidiary, or the Issuer, any Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or a material part of its business or operations, or the Issuer, any Guarantor or any Principal Subsidiary becomes capable of being dissolved under applicable laws (except for the purpose of and followed by a solvent reconstruction, merger, consolidation, amalgamation or other similar arrangement, the terms of which are approved by an Extraordinary Resolution of the Noteholders or as permitted under Condition 18); or

(i) **Moratorium and Nationalization:** a moratorium is agreed or declared in respect of any indebtedness of any of the Issuer, any Guarantor or any Principal Subsidiary or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets or shares of the Issuer, any Guarantor or any Principal Subsidiary; or

(j) **Proceedings against Issuer, Guarantors or Principal Subsidiaries etc.:** proceedings shall have been initiated against the Issuer, any Guarantor or any Principal Subsidiary under any applicable bankruptcy, insolvency or reorganization law and such proceedings shall not have been discharged or stayed within a period of 30 days; or

(k) **Ownership:** for any reason the aggregate direct and/or indirect shareholding of the Guarantors in the Issuer falls below 100 per cent.; or

(l) **Authorization and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order to (i) enable the Issuer or any Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Trust Deed, (ii) ensure that those obligations are legally binding and enforceable and (iii) make the Notes and the Trust Deed admissible in evidence in the courts of England, is not taken, fulfilled or done; or

(m) **Illegality:** (i) it is or will become unlawful for the Issuer or any Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or (ii) any of the Notes or the Trust Deed ceases for any reason (or is claimed by the Issuer or any Guarantor not) to be the legal and valid obligations of the Issuer or the relevant Guarantor(s), binding upon it in accordance with its terms; or (iii) any litigation, arbitration or administrative proceeding is current or pending to restrain the exercise of any of the rights and/or the performance or enforcement of or compliance with any of the obligations of the Issuer or any Guarantor under any of the Notes or the Trust Deed; or

(n) **Analogous Events:** any event occurs which has an analogous effect to any of the events referred to in Conditions 9(a) to 9(m) (both inclusive); or

(o) **Guarantee:** the Guarantee is not (or is claimed by any Guarantor not to be) in full force and effect.

For the purposes of this Condition 9, any indebtedness which is in a currency other than U.S. dollars shall be translated into U.S. dollars on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9 operates.

For the purposes of this Condition 9, "**Principal Subsidiary**" means any Subsidiary of the Issuer and/or any Guarantor:

(I) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited financial statements, are at least 10 per cent. of the consolidated revenue as shown by the latest published audited consolidated financial statements of the Issuer or the relevant Guarantor, as the case may be, and their respective Subsidiaries including, for the avoidance of doubt, the Issuer or the relevant Guarantor, as the case may be, and their respective consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(II) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet, are at least 10 per cent. of the amount which equals the amount included in the consolidated gross assets of the Issuer or the relevant Guarantor, as the case may be, and their respective Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer or the relevant Guarantor, as the case may be, and their respective Subsidiaries;

provided that, in relation to paragraphs (I) and (II) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited financial statements of the Issuer or the relevant Guarantor, as the case may be, relate, the reference to the then latest consolidated audited financial statements of the Issuer or the relevant Guarantor, as the case may be, for the purposes of the calculation above shall, until consolidated audited financial statements of the Issuer or the relevant Guarantor, as the case may be, for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited financial statements of the Issuer or the relevant Guarantor, as the case may be, adjusted to consolidate the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such financial statements; and

(ii) if at any relevant time in relation to the Issuer, the relevant Guarantor or any Subsidiary which itself has Subsidiaries, as the case may be, no consolidated financial statements are prepared, the audited gross consolidated assets and consolidated revenues of the Issuer, the relevant Guarantor and/or such Subsidiary shall be determined on the basis of pro forma consolidated financial statements; or

(III) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary and (yy) on or after the date on which the first published audited financial statements (consolidated, if appropriate), of the Issuer or the relevant Guarantor, as the case may be, prepared as at a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such financial statements by virtue of the provisions of paragraphs (I) and (II) above of this definition.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether an Event of Default or any Potential Event of Default (as defined in the Trust Deed) has occurred and shall not be responsible or liable to the Noteholders, the Issuer, the Guarantors or any other person for any loss arising from any failure to do so.

10 Prescription

Claims in respect of principal and interest will become void unless made within a period of 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date.

Under ROC laws and regulations, claims in respect of principal and interest would become unenforceable after 15 years and five years, respectively, from the relevant date for payment in respect thereof.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange or other relevant authority requirements, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantors may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Noteholders, Modification and Waiver

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer, any Guarantor or the Trustee, and shall be convened by the Trustee if requested in writing by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification of the Trust Deed and the Agency Agreement:** The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorization or waiver shall be binding on the Noteholders and, unless the Trustee otherwise agrees, such modification, authorization or waiver shall be notified by the Issuer to the Noteholders as soon as practicable thereafter.

(c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require on behalf of any Noteholders, nor shall any Noteholder be entitled to claim, from any of the Issuer or the Guarantors any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

13 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or any or all of the Guarantors as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 20 per cent. in principal amount of the Notes then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder may proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantors and any entity related to the Issuer or any Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders on any report, confirmation, certificate or information or any advice or opinion of any accountants, lawyers, financial advisors, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, advice or opinion and such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer, the Guarantors, the Trustee and the Noteholders.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and consolidated and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16 Notices

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Notes shall also be published at the Issuer's expense in a leading English language daily newspaper having general circulation in Asia (which is expected to be The Wall Street Journal Asia). The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Currency Indemnity

The U.S. dollar is the sole currency of account and payment for all sums payable by the Issuer and each Guarantor, under or in connection with the Notes and the Trust Deed, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or any Guarantor, or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or any Guarantor, shall only constitute a discharge to the Issuer and the relevant Guarantor, to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Issuer and the relevant Guarantor shall indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer and each Guarantor shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 17, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and each Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

18 Consolidation, Amalgamation or Merger

The Issuer will not consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any person (the consummation of any such event, a "**Merger**"), unless:

(a) the corporation formed by such Merger or the person that acquired such properties and assets shall expressly assume, by a supplemental agreement or deed, all obligations of the Issuer under the Notes, the Trust Deed and the Agency Agreement and the performance of every covenant and agreement applicable to it contained therein;

(b) immediately after giving effect to any such Merger, no Event of Default, and no event which, after notice or lapse of time, or both, may become an Event of Default shall have occurred and be continuing or would result therefrom;

(c) the corporation formed by such Merger, or person that acquired such properties and assets, shall expressly agree, among other things, to indemnify each holder of the Notes against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder as a consequence of such Merger; and

(d) the Issuer has delivered to the Trustee an officers' certificate stating that such Merger and such supplemental agreement and/or deed entered into in accordance with Condition 18(a), comply with this Condition 18 and that all conditions precedent herein provided for relating to such transaction have been complied with.

19 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

20 Governing Law and Jurisdiction

(a) **Governing Law:** The Trust Deed, the Guarantee and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Notes or the Guarantee ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, each of the Issuer and the Guarantors has irrevocably submitted to the jurisdiction of such courts.

(c) **Agent for Service of Process:** Pursuant to the Trust Deed, each of the Issuer and the Guarantors has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Notes, the Trust Deed or the Guarantee. If for any reason the Issuer or any Guarantor ceases to have such agent in England, it will promptly appoint a substitute process agent and notify the Trustee of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Notes in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. Terms defined in the Terms and Conditions of the Notes have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Notes will be represented by the Global Certificate in registered form, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Notes to the holder of the Notes on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Notes.

Owners of interests in the Notes in respect of which the Global Certificate is issued will be entitled to have title to the Notes registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, provided that the holder of the Notes represented by the Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Notes represented by this Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System. In such circumstances, the Guarantors will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Notes. A person with an interest in the Notes in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment

So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Trustee's Powers

In considering the interests of the Noteholders whilst the Global Certificate is held on behalf of, or registered in the name of a nominee for, a clearing system, the Trustee may have regard to any information provided to it including a report by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Notes represented by the Global Certificate.

Notices

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions of the Notes.

Transfers

Transfers of interests in the Notes will be effected through the records of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Note by the Issuer following its redemption or purchase by the Issuer will be effected by reduction in the principal amount of the Notes in the register of the Noteholders.

Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificate shall (unless the Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each U.S.$1,000 in principal amount of the Notes.

USE OF PROCEEDS

The net proceeds from the issue of the Notes, after deducting underwriting fees and commissions and offering expenses, are estimated to be approximately U.S.$992,000,000.

The Issuer intends to use the net proceeds for working capital purposes and funding capital expenditure for projects in Asia.

CAPITALIZATION AND INDEBTEDNESS

CAPITALIZATION AND INDEBTEDNESS OF THE GUARANTORS

Capitalization and Indebtedness of Formosa Plastics

The following table sets forth the consolidated total capitalization and indebtedness of Formosa Plastics as at 31 December 2014 on an actual basis. This following table should be read in conjunction with "Summary Financial Information" and Formosa Plastic's financial statements and related notes included elsewhere in this Offering Circular:

	As at 31 December 2014	
	Actual	
	NT$ (millions)	*U.S.$ (millions)*
Short-term liabilities		
Short-term borrowings	13,767.6	435.7
Current portion of bonds payable	7,993.5	253.0
Current portion of long-terms debts	1,515.6	48.0
Total short-term liabilities	**23,276.7**	**736.6**
Long-term liabilities		
Long-term debts	26,945.0	852.7
Bonds payable	51,913.5	1,642.8
Total long-term liabilities	**78,858.5**	**2,495.5**
Equity		
Common stock	63,657.4	2,014.5
Capital surplus	11,278.0	356.9
Retained earnings(1)	129,225.2	4,089.4
Total equity	**204,160.6**	**6,460.8**
Total capitalization(2)	**283,019.1**	**8,956.3**

Notes:

(1) Retained earnings include legal reserve, special reserve and unappropriated retained earnings.

(2) Total capitalization equals total long-term liabilities plus total equity.

There has been no material change in the consolidated capitalization and indebtedness of Formosa Plastics since 31 December 2014.

Capitalization and Indebtedness of Nan Ya Plastics

The following table sets forth the consolidated total capitalization and indebtedness of Nan Ya Plastics as at 31 December 2014 on an actual basis. This following table should be read in conjunction with "Summary Financial Information" and Na Ya Plastics's financial statements and related notes included elsewhere in this Offering Circular:

	As at 31 December 2014	
	Actual	
	NT$ (millions)	*U.S.$ (millions)*
Short-term liabilities		
Short-term borrowings	9,201.5	291.2
Current portion of bonds payable	25,660.6	812.1
Current portion of long-term debts	4,920.0	155.7
Total short-term liabilities	39,782.1	1,259.0
Long-term liabilities		
Long-term debts	29,991.4	949.1
Bonds payable	63,592.3	2,012.4
Total long-term liabilities	93,583.7	2,961.5
Equity		
Common stock	79,308.2	2,509.8
Capital surplus	22,927.0	725.5
Retained earnings(1)	154,809.4	4,899.0
Total equity	257,044.6	8,134.3
Total capitalization(2)	350,628.3	11,095.8

Note:

(1) Retained earnings include legal reserve, special reserve and unappropriated retained earnings.

(2) Total capitalization equals total long-term liabilities plus total equity.

There has been no material change in the consolidated capitalization and indebtedness of Nan Ya Plastics since 31 December 2014.

Capitalization and Indebtedness of Formosa Chemicals & Fibre

The following table sets forth the consolidated total capitalization and indebtedness of Formosa Chemicals & Fibre as at 31 December 2014 on an actual basis. This following table should be read in conjunction with "Summary Financial Information" and Formosa Chemicals & Fibre's financial statements and related notes included elsewhere in this Offering Circular:

	As at 31 December 2014	
	Actual	
	NT$ (millions)	*U.S.$ (millions)*
Short-term liabilities		
Short-term borrowings	29,187.2	923.6
Short-term notes and bills payable	2,349.5	74.4
Notes payable	205.6	6.5
Total short-term liabilities	**31,742.3**	**1,004.5**
Long-term liabilities		
Long-term borrowings	47,985.6	1,518.5
Corporate bonds payable	56,000.0	1,772.2
Total long-term liabilities	**103,985.6**	**3,290.7**
Equity		
Common stock	58,611.9	1,854.8
Capital surplus	8,668.6	274.3
Retained earnings(1)	119,120.9	3,769.6
Treasury stocks	(332.4)	(10.5)
Total equity(1)	**186,069.0**	**5,888.2**
Total capitalization(2)	**290,054.6**	**9,178.9**

Notes:

(1) Retained earnings include legal reserve, special reserve and unappropriated retained earnings.

(2) Total capitalization equals total long-term liabilities plus total equity.

There has been no material change in the consolidated capitalization and indebtedness of Formosa Chemicals & Fibre since 31 December 2014.

Capitalization and Indebtedness of Formosa Petrochemical

The following table sets forth the consolidated total capitalization and indebtedness of Formosa Petrochemical as at 31 December 2014 on an actual basis. This following table should be read in conjunction with "Summary Financial Information" and Formosa Petrochemical's financial statements and related notes included elsewhere in this Offering Circular:

	As at 31 December 2014	
	Actual	
	NT$ (millions)	*U.S.$ (millions)*
Short-term liabilities		
Short-term loans	32,457.0	1,027.1
Short-term notes and bills payable	3,500.0	110.8
Notes payable	13.5	0.4
Current portion of long-term debts	31,722.4	1,003.9
Total short-term liabilities	**67,692.9**	**2,142.2**
Long-term liabilities		
Long-term loans	68.630.7	2,171.9
Bonds payable	53,000.0	1,677.2
Total long-term liabilities	**121,630.7**	**3,849.1**
Equity		
Common stock	95,259.6	3,014.5
Capital surplus	31,336.2	991.7
Retained earnings[(1)]	79,177.2	2,505.6
Total equity	**250,773.0**	**6,511.8**
Total capitalization[(2)]	**327,403.7**	**10,360.9**

Notes:

(1) Retained earnings include legal reserve, special reserve and unappropriated earnings.

(2) Total capitalization equals total long-term liabilities plus total equity.

There has been no material change in the consolidated capitalization and indebtedness of Formosa Petrochemical since 31 December 2014.

CAPITALIZATION AND INDEBTEDNESS OF THE ISSUER

The following table sets forth the total capitalization and indebtedness of the Issuer as at 31 December 2014 on an actual and as adjusted basis to give effect to the issuance of the Notes (before deducting the underwriting fees and commissions and other estimated transaction expenses payable). This following table should be read in conjunction with "Use of Proceeds", "Summary Financial Information" and the Issuer's financial statements and related notes included elsewhere in this Offering Circular:

	As at 31 December 2014	
	Actual	**As Adjusted**
	U.S.$	*U.S.$*
Long-term debts	1,613,000,000	1,613,000,000
Notes to be issued	–	1,000,000,000
Total long-term liabilities	**1,613,000,000**	**2,613,000,000**
Equity		
Ordinary Shares	50,000	50,000
(Accumulated deficit) Unappropriated retained earnings	2,717,069	2,717,069
Total equity	**2,767,069**	**2,767,069**
Total capitalization[1]	**1,615,767,069**	**2,615,767,069**

Note:

(1) Total capitalization equals total long-term liabilities plus total equity.

The Issuer has certain borrowings since 31 December 2014 due to its business nature which includes on-lending of proceeds. For further details in relation to the business nature of the Issuer, please refer to "Description of the Issuer – Business Activity".

DESCRIPTION OF THE ISSUER

Formation

The Issuer was incorporated on 28 March 2013 and registered under the Companies Law (as amended) of the Cayman Islands as an exempted company with limited liability. Its registered address is at the offices of Offshore Incorporations (Cayman) Limited, Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. Each of the Guarantors holds 25 per cent. of the shareholding of the Issuer.

Business Activity

As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material operating activities other than those relating to the proposed issue of the Notes and certain activities in relation to fundraising for and on-lending to members of the Formosa Group.

Directors

The directors of the Issuer are Formosa Plastics, Na Ya Plastics, Formosa Chemicals & Fibre, Formosa Petrochemical and Chen Yuan Cheng.

Share Capital

The Issuer's share capital is U.S.$50,000 divided into 50,000 shares of par value of U.S.$1.00 each. As at the date of this Offering Circular, all of the 50,000 ordinary shares have been issued by the Issuer, with 12,500 ordinary shares being held by each of the Guarantors. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

DESCRIPTION OF FORMOSA PLASTICS

BUSINESS

Overview

Formosa Plastics is one of the world's leading manufacturers of polyvinyl chloride ("PVC") resins, one of Asia's leading manufacturers of polyolefins (including high-density polyethylene ("HDPE"), ethylene-vinyl acetate copolymers ("EVA"), low-density polyethylene ("LDPE") and linear low-density polyethylene ("LLDPE")) and caustic soda and the ROC's leading manufacturer of specialty chemicals such as acrylic acid and esters, acrylic fibre, N-butanol ("NBA"), acrylonitrile ("AN"), methyl methacrylate ("MMA"), epichlorohydrin ("ECH") and methyl tert butyl ether ("MTBE"). Formosa Plastics estimates that it supplies approximately 66 per cent. of the ROC's requirements of PVC resins for the year ended 31 December 2014 and is a principal supplier of such raw material to the Formosa Group. Formosa Plastics develops, manufactures and markets products in five product categories: plastics (including PVC resins and related products), polyolefin, polypropylene, Tairylan and chemicals. For the year ended 31 December 2014, sales of plastics, polyolefin, polypropylene, Tairylan and chemicals accounted for 32.3 per cent., 19.2 per cent., 18.8 per cent., 14.5 per cent. and 16.5 per cent., respectively, of Formosa Plastics' total consolidated operating revenues. For the year ended 31 December 2014, Formosa Plastics' consolidated operating revenues were NT$216,589.0 million (U.S.$6,854.1 million) and its consolidated net income was NT$17,993.4 million (U.S.$569.4 million).

Formosa Plastics' products are sold primarily to secondary processors. Domestic sales comprised 40.2 per cent. of Formosa Plastics' total consolidated operating revenues for the year ended 31 December 2014. Sales to affiliates in the Formosa Group, primarily Nan Ya Plastics and Formosa Chemicals & Fibre, accounted for 10.7 per cent. of Formosa Plastics' total consolidated operating revenues for the year ended 31 December 2014. In the export market, Formosa Plastics' products are sold primarily to secondary plastics processors in the PRC. Exports to the PRC accounted for 36.8 per cent. of Formosa Plastics' total consolidated operating revenues for the year ended 31 December 2014.

From its inception, Formosa Plastics has sought to vertically integrate its manufacturing processes and to increase production capacity in order to reduce production costs and enhance its competitive position. In line with that strategy, Formosa Plastics, together with other members of the Formosa Group, founded Formosa Petrochemical, which has constructed three naphtha crackers as the centerpiece of the No. 6 Naphtha Cracker Complex. Formosa Plastics believes that the naphtha crackers have ensured reliable supply and reduced the cost of key raw materials for certain of its principal products, including PVC resins, polyolefins, acrylic acid and esters. As part of its investments under the No. 6 Naphtha Cracker Complex, Formosa Plastics had constructed 14 petrochemical plants at Mailiao which Formosa Plastics believes have enabled it to further expand its production capacity, reduce its manufacturing costs and extend the range and diversity of its products.

As at 31 December 2014, Formosa Plastics, on a consolidated basis, employs over 7,000 fulltime employees and operates 31 manufacturing plants on five production sites in the ROC as well as four manufacturing plants in the PRC. Formosa Plastics maintains five operating business divisions organized primarily along product lines: plastics, polyolefin, polypropylene, Tairylan and chemicals. Formosa Plastics' registered office is at 201, Tung Hwa North Road, Taipei, Taiwan, ROC.

Formosa Plastics was incorporated on 5 November 1954 as a company organized under the laws of the ROC. Formosa Plastics' ordinary shares have been listed on the TSE since 1964. As at the date of this Offering Circular, Formosa Plastics' total market capitalization was NT$495.9 billion.

History

Certain key dates in the history of Formosa Plastics include:

1954	Formosa Plastics was incorporated as the ROC's first manufacturer of PVC resins and constructed the first PVC resins plant in Kaohsiung, ROC.
1957	Formosa Plastics' PVC resins plant in Kaohsiung, ROC commenced operations.
1965	Formosa Plastics began to manufacture calcium carbide and chlorine, the principal raw materials used to produce acetylene, instead of purchasing them from third parties.
1967	Formosa Plastics constructed its first acrylic fibre plant at Chienchen, ROC.
1972	Formosa Plastics began construction of a co-generation power plant to ensure adequate and low-cost supply of electricity for its production operations.
1973	Formosa Plastics began construction of a caustic soda plant and vinyl chloride monomer ("VCM") plant at its Jenwu Complex.
1974	Formosa Plastics began construction of an acrylic fibre plant at its Jenwu Complex.
1975	Formosa Plastics commenced production of PVC resins using the more advanced, safer and more cost-effective process which utilizes ethylene dichloride ("EDC") as raw materials.
1977	Formosa Plastics phased out its acetylene production process.
1979	Formosa Plastics started to invest in the U.S..
1982	Formosa Plastics began to produce calcium carbonate, which is used as an additive in the manufacture of plastics, rubber and paint. During the same year, Formosa Plastics Corporation, U.S.A. ("FPC U.S.A.") commenced operations.
1984	Formosa Plastics established its polyolefin business. Its HDPE plant in Linyuan, ROC was completed. During the same year, Formosa Plastics also began production of acrylic acid and esters.
1986	Formosa Plastics commenced the planning of its investments in the No. 6 Naphtha Cracker Complex.
1987	In furtherance of its horizontal diversification strategy, Formosa Plastics commenced production of carbon fibre.
1993	Formosa Plastics began to manufacture super absorbent polymer ("SAP") using acrylic acid.
1994	Formosa Plastics began construction of the No. 6 Naphtha Cracker Complex.
1996	Mailiao Power Corporation ("Mailiao Power") was established.

1998 .... As part of its investments in the No. 6 Naphtha Cracker Complex, Formosa Plastics established a number of additional plants at Mailiao and began manufacturing new polyolefins, including EVA, LDPE and LLDPE. During the same year, Formosa Asahi Spandex Co., Limited was established with Japan's Asahi Chemical Industry Co., Ltd.

1999 .... Formosa Plastics acquired technology for the manufacture of plasma display panel ("PDP") from a U.S. company and established a pilot PDP plant at Sanhsia, ROC. During the same year, Formosa Daikin Advanced Chemical Co., Limited was established with Japan's Daikin Industries, Ltd.

2000 .... In response to the ROC government's call for the development of the chemicals industry, Formosa Plastics began the manufacture of fine chemicals, including AN, MTBE and butene-1 ("B-1").

2001 .... Formosa Plastics commenced production of MMA and ECH and its pilot PDP plant commenced production of PDP. During the same year, Su-Hua Transport Corporation ("Su-Hua Transport") was established.

2002 .... Formosa Plastics began the construction of its PVC resins plant in Ningbo, the PRC.

2003 .... Formosa Plastics merged Yungchia Chemicals Industries Corporation into its own operations.

2004 .... Formosa Plastics issued foreign corporate bonds for U.S.$250 million, exchangeable for shares in Formosa Petrochemical.

2006 .... Formosa Plastics issued domestic unsecured corporate bonds for NT$10 billion. During the same year, all of Formosa Plastics' foreign corporate bonds were exchanged for shares in Formosa Petrochemical.

2007 .... Formosa Industries (Hong Kong) Limited ("Formosa Industries (Hong Kong)") was established to create a more efficient structure for Formosa Plastics' investments in the PRC.

2008 .... Formosa Plastics issued domestic unsecured corporate bonds twice for NT$6 billion each and acquired a 22.5 per cent. interest in Formosa Ha Tinh Steel Corporation ("Formosa Ha Tinh Steel") in Vietnam.

2009 .... Formosa Plastics issued domestic unsecured corporate bonds for NT$6 billion. During the same year, three independent directors were elected to the Board of Directors of Formosa Plastics for the first time.

2010 .... Formosa Plastics issued domestic unsecured corporate bonds for NT$6 billion.

2011 .... Formosa Plastics issued domestic unsecured corporate bonds twice for an aggregate amount of NT$10 billion. During the same year, the remuneration committee of the Board of Directors of Formosa Plastics was established.

2012	Formosa Plastics issued domestic unsecured corporate bonds thrice for an aggregate amount of NT$21 billion and commenced restructuring of its Ningbo subsidiaries' investment structure. During the same year, Formosa Mitsui Advanced Chemicals Co., Ltd. was established with Japan's Mitsui Chemicals, Inc..
2013	Formosa Plastics issued domestic unsecured corporate bonds for NT$20 billion and together with Nan Ya Plastics, Formosa Chemicals & Fibre and Formosa Petrochemical, established Formosa Group (Cayman) Limited, the Issuer. Each of Formosa Plastics, Nan Ya Plastics, Formosa Chemicals & Fibre and Formosa Petrochemical acquired a 25 per cent. interest in the Issuer.
2014	Formosa Plastics issued domestic unsecured corporate bonds for NT$6 billion.

Strategy

Formosa Plastics' goal is to continue to improve on its position as one of the world's leading integrated PVC producers and a leading manufacturer of polyolefins, acrylic acid and esters and acrylic fibre in the ROC. In light of the sluggish recovery of the global economy in recent years and the ever-increasing competitive pressures brought by the integration of regional economies, Formosa Plastics intends to focus on its core spirit of "pursuing excellence and striving for perfection" and review raw material and product market changes regularly to adapt its strategies of integrating production, sales and research and development to market conditions, and to tap into demand for new products. It will continue to concentrate on producing a large variety of high quality products at competitive prices by taking advantage of its vertically integrated manufacturing processes, efficient manufacturing infrastructure and superior technology and manufacturing process know-how. Formosa Plastics' strategy is to capitalize on these strengths by means of the following:

Continue to pursue full vertical integration

The cost of raw materials comprises a substantial portion of Formosa Plastics' operating costs. To help alleviate its reliance on imports and purchases of raw materials and to lower its production costs, Formosa Plastics has been pursuing vertical integration both internally and with other companies within the Formosa Group. Examples include the following:

- Formosa Plastics produces the raw materials required to produce some of its principal products, such as chlorine, EDC and VCM, which are the principal raw materials required to produce PVC resins. Formosa Plastics also produces AN, which is primarily used to produce acrylic fibre, and acrylic acid, which is primarily used to produce acrylic esters for the production of synthetic fibres, paints and adhesives. Formosa Plastics also developed in-house the carbon precursor used in its carbon fibre production process and is one of the few companies in the world to have developed this product, reflecting its utilization of a vertically integrated industry model from research and development to operation and production.

- Formosa Plastics obtains a large proportion of its raw materials from its affiliates within the Formosa Group. For the year ended 31 December 2014, Formosa Petrochemical supplied 74.1 per cent. of Formosa Plastics' requirement of ethylene for the production of PVC resins and polyolefins and 84.6 per cent. of Formosa Plastics' demand of propylene for the production of AN, acrylic acid and esters, ECH and polypropylene. Formosa Plastics in turn utilizes the AN it produced at its acrylic fibre production plant or sells it to Formosa Chemicals & Fibre for the production of acrylonitrile-butadiene-styrene copolymer ("ABS"). Formosa Plastics also supplies the majority of its production of ECH to Nan Ya Plastics for the production of epoxy products.

- In line with the ROC government's policy push for the development of the ROC's high value-added products and precision chemical industries, Formosa Plastics produces various specialty chemicals such as acrylic acid and esters, acrylic fibre, NBA, AN, MMA, ECH and MTBE. Most of these chemicals are either utilized internally as raw materials by its downstream manufacturing processes within Formosa Plastics or sold to other companies within the Formosa Group. For example, to utilize the high purity acrylic acid ("HPAA") produced by its acrylic acid and ester plant, Formosa Plastics has built two SAP production plants, the only facilities of their kind in the ROC. These measures help to further alleviate the Formosa Group's reliance on third party suppliers for raw materials and reduce production costs.

Formosa Plastics believes that its vertically integrated operations enable it to provide a more stable and cost-effective supply of raw materials, with purchases of raw materials from unaffiliated third parties accounting for 32.4 per cent., 34.9 per cent. and 34.9 per cent. of Formosa Plastics' consolidated purchases of raw materials by value for the years ended 31 December 2012, 2013 and 2014, respectively. Formosa Plastics intends to continue to decrease its dependency on unaffiliated suppliers for raw materials by performing further debottlenecking at its existing plants to improve efficiency and increase internal production capacity for certain key raw materials, such as EDC, VCM, caustic soda, acrylic acid and AN, used in making its principal products.

Further diversify

As the ROC faces ever-increasing export competitive pressures brought by the integration of regional economies, including the introduction of tariff-free treatment for the five most common plastics produced in the PRC and ASEAN as a result of various free trade agreements to which the ROC is not party, Formosa Plastics has focused on ensuring it is in a position to tap into demand for new products in high technology industries and industries with higher growth potential in order to complement its traditional product offerings of PVC resins, acrylic acid and esters and related principal products. Examples include the following:

- Formosa Plastics produces various specialty chemicals such as acrylic acid and esters, acrylic fibre, NBA, AN, MMA, ECH and MTBE, most of which are either utilized internally or sold to its affiliates in the Formosa Group as raw materials for downstream manufacturing processes.

- Formosa Plastics invests in various domestic and overseas affiliates which allow it to explore growth opportunities outside of its principal product lines, including Formosa Ha Tinh Steel, an integrated steel plant producing steel products such as billet, hot rolled coil and bar in coil/wire rod which are supplied mainly to Vietnam and other Asian markets.

Formosa Plastics believes that maintaining a diversified production base is essential to its growth in its principal product offerings. Formosa Plastics also plans to continue expanding into higher value-added products to be sold to its existing customers and investing in areas which offer significant growth potential.

Optimize manufacturing efficiency and streamline investment structure of Formosa Plastics' operations in the PRC

While the PRC currently accounts for a substantial portion of the ROC's exports, Formosa Plastics faces significant difficulties in selling raw materials into the PRC from the ROC due to the lack of tariff-free treatment for Taiwanese plastics and fibre products, as a result of the enduring political standoff between the ROC and the PRC which has prevented the entering into of commodity and service trade agreements between them. Furthermore, the shift in the PRC's industry model from "manufacturing plus exports" to "service plus domestic consumption" means the previously-complementary export-import relationship between the ROC and the PRC is evolving into a competitive one. In order to actively compete for the PRC market, Formosa Plastics has therefore advanced into the PRC by constructing production plants in the PRC itself, though it still faces significant restrictions in this process. The need to optimize manufacturing efficiency in its PRC operations has led Formosa Plastics to commence restructuring of its Ningbo subsidiaries' investment structure in November 2013 in order to minimize the tax burden from intra-group trades, simplify tax reporting and optimize management of raw material prices. It is in the process of merging its six subsidiaries in Ningbo, PRC, namely Formosa Industries (Ningbo) Co., Ltd. ("Formosa Industries (Ningbo)"), Formosa Acrylic Esters (Ningbo) Co., Ltd. ("Formosa AE (Ningbo)"), Formosa Polypropylene (Ningbo) Co., Ltd. ("Formosa PP (Ningbo)"), Formosa Super Absorbent Polymer (Ningbo) Co., Ltd. ("Formosa SAP (Ningbo)"), Formosa Electronic (Ningbo) Co., Ltd. ("Formosa Electronic (Ningbo)") and Formosa Polyethylene (Ningbo) Co., Ltd. ("Formosa PE (Ningbo)"), with Formosa Industries (Ningbo) as the consolidating entity, and the full merger process is expected to be completed by end-2015.

Reduce production costs

Formosa Plastics competes on the basis of price and quality of its products. To maintain its position as a low cost, high quality manufacturer in the markets of its principal products, Formosa Plastics has focused on and will continue to focus on improving productivity and manufacturing efficiency in each of its manufacturing divisions. Examples include the following:

- Formosa Plastics has performed debottlenecking on existing plants to improve efficiency and reduce costs. Formosa Plastics has also actively invested in capacity ramp-up, such as the expansion projects for Formosa Plastics' SAP plant in Hsinkang, ROC and its Ningbo subsidiaries. Formosa Plastics believes that this expansion of production capacity has resulted in economies of scale greater than that enjoyed by its competitors, which generally have plants with smaller capacities, and will position Formosa Plastics well in relieving the domestic shortage of basic petrochemical raw materials which are indispensable to the upgrading of the domestic plastics, electronics and synthetic fibre industries.

- A significant portion of Formosa Plastics' equipment and machinery is designed and constructed by engineers in Formosa Heavy Industries Corporation ("Formosa Heavy Industries"). Formosa Plastics believes that the delegation of these responsibilities to professionals within the Formosa Group who are familiar with Formosa Plastics' operations and production facilities improves manufacturing efficiency and accountability and lowers maintenance cost.

Products

Formosa Plastics develops, manufactures and markets products through five operating business divisions organized primarily along product lines: plastics, polyolefin, polypropylene, Tairylan and chemicals.

The following table sets forth, for the periods indicated, the contribution of each operating business division to Formosa Plastics' total consolidated operating revenues and the percentage breakdown of each operating business division to Formosa Plastics' total consolidated operating revenues.

	Year ended 31 December						
	2012		2013		2014		
	NT$ (millions)	*%*	*NT$ (millions)*	*%*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
Plastics	72,408.9	36.6	72,321.5	33.5	70,108.9	2,218.6	32.3
Polyolefin	33,667.2	17.0	40,711.9	18.8	41,603.1	1,316.6	19.2
Polypropylene	27,203.3	13.8	36,546.7	16.9	40,835.2	1,292.2	18.8
Tairylan	34,834.4	17.6	35,160.1	16.3	31,580.2	999.4	14.5
Chemicals	33,228.3	16.8	34,759.2	16.1	35,851.1	1,134.5	16.5
Others[(1)]	9,748.3	5.0	9,813.8	4.5	9,648.0	305.3	4.4
Adjustments and eliminations	(13,386.0)	(6.8)	(13,219.7)	(6.1)	(12,537.0)	(396.7)	(5.7)
Total	197,704.4	100.0	216,093.5	100.0	217,089.5	6,869.9	100.0

Note:

(1) The principal products under "Others" include distributed control systems, polyethylene bags, carbide production and utilities.

Plastics Division

The principal products manufactured by Formosa Plastics' plastics division are PVC resins and caustic soda. Other products manufactured by the plastics division include VCM and polymethacrylate butadiene styrene ("MBS") resins. Sales of PVC resins and related products produced by the plastics division accounted for 36.6 per cent., 33.5 per cent. and 32.3 per cent. of Formosa Plastics' total consolidated operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth the consolidated sales volume and consolidated sales revenues of each of the key products manufactured by Formosa Plastics' plastics division for the periods indicated and the percentage of consolidated operating revenues of Formosa Plastics' plastics division represented by each such product:

	Year ended 31 December									
	2012			2013			2014			
	Volume (MT)	**NT$ (millions)**	**%**	**Volume (MT)**	**NT$ (millions)**	**%**	**Volume (MT)**	**NT$ (millions)**	**U.S.$ (millions)**	**%**
PVC resins	1,436,220	42,405.4	58.6	1,504,065	43,925.3	63.5	1,392,484	43,863.3	1,388.1	62.6
Caustic soda	1,328,962	17,804.5	24.6	1,301,924	14,526.5	20.1	1,350,397	15,001.3	474.7	21.4
VCM	61,525	1,399.2	1.9	117,136	2,769.8	3.8	87,284	2,211.8	70.0	3.1
MBS resin	17,663	1,659.7	2.3	16,919	1,309.4	1.8	17,640	1,332.6	42.2	1.9
Others	–	9,140.1	12.6	–	7,790.5	10.8	–	7,699.9	243.6	11.0
Total	–	72,408.9	100.0	–	72,321.5	100.0	–	70,108.9	2,218.6	100.0

PVC resins

PVC resins are among the world's most widely used plastics and a popular alternative to traditional materials such as glass, metal and wood because of their versatility, durability and cost competitiveness. Formosa Plastics believes that it supplied approximately 66 per cent. of the ROC's domestic requirements of PVC resins for the year ended 31 December 2014. Formosa

Plastics manufactures and markets a variety of grades of PVC resins, primarily using the suspension and mass processes, to accommodate the needs of a wide range of industries manufacturing PVC products in the ROC and overseas, particularly in the PRC. PVC resins produced by Formosa Plastics are primarily used in the manufacture of construction products such as pipes, fittings, window frames, doors and floor tiles and other products such as flexible sheeting and synthetic leather, rigid film and packaging. Formosa Plastics is currently the only manufacturer of PVC resins in the ROC that uses the emulsion and micro-suspension processes to produce a variety of grades of special-purpose PVC resins. Such special-purpose PVC resins are used to manufacture products such as medical gloves, casting leather, wallpaper and toys.

Caustic soda

Caustic soda, a by-product of the production of chlorine, is used by Formosa Plastics in the manufacture of PVC resins. Formosa Plastics also sells the caustic soda it produces to processors who use it in the manufacture of synthetic fibres, rayon staple fibre, pulp, dyes and detergents, soaps, leather processing, aluminium hydroxide, sodium sulphate and chemical products and in the treatment of waste water.

VCM

VCM is principally used as a raw material for the production of PVC resins.

MBS resin

MBS is a graft co-polymer plastics modifier used primarily to improve the impact strength, stress properties or transparency of certain PVC products, such as PVC rigid film, PVC bottles and credit cards. Formosa Plastics manufactures four grades of MBS resin.

Polyolefin Division

The principal products manufactured by Formosa Plastics' polyolefin division include HDPE, EVA, LLDPE and LDPE. Sales of products produced by the polyolefin division accounted for 17.0 per cent., 18.8 per cent. and 19.2 per cent. of Formosa Plastics' total consolidated operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth the consolidated sales volume and consolidated sales revenues of each of the key products manufactured by Formosa Plastics' polyolefin division for the periods indicated and shows the percentage of consolidated operating revenues of Formosa Plastics' polyolefin division represented by each such product:

	Year ended 31 December									
	2012			2013			2014			
	Volume (MT)	NT$ (millions)	%	Volume (MT)	NT$ (millions)	%	Volume (MT)	NT$ (millions)	U.S.$ (millions)	%
HDPE	402,498	17,105.1	50.8	459,902	20,731.4	50.9	431,109	20,958.5	663.2	50.4
EVA	164,562	8,876.4	26.4	165,075	8,071.9	19.8	156,272	8,636.1	273.3	20.7
LLDPE	126,965	5,197.5	15.4	205,509	9,032.8	22.2	185,346	8,943.4	283.0	21.5
LDPE	728	28.4	0.1	6,343	326.9	0.8	10,767	574.9	18.2	1.4
Others	–	2,459.8	7.3	–	2,548.9	6.3	–	2,490.2	78.9	6.0
Total	–	33,667.2	100.0	–	40,711.9	100.0	–	41,603.1	1,316.6	100.0

HDPE

HDPE is a highly versatile polymer. Formosa Plastics produces four major grades of HDPE: film, injection moulding, extrusion moulding and blow moulding. Film grade HDPE is commonly used to manufacture shopping and garbage bags and liners for packing purposes. Injection moulding grade HDPE is used principally in the manufacture of crates, beverage cartons and containers. Extrusion moulding grade HDPE is used to make rope, file folders, fishing nets and woven bags. Blow moulding grade HDPE is used in the making of bottles. Formosa Plastics has also developed coating grade HDPE, which is used to coat steel pipe and cable to prevent corrosion.

EVA

Formosa Plastics produces three major grades of EVA: film, injection/foaming and powder coating. Film grade EVA is used to make general packaging sanitary applications. Injection/ foaming grade EVA is used to make flexible items and shoe materials. Powder coating grade EVA is used to make non-woven and fabrics.

LLDPE

Formosa Plastics produces four major grades of LLDPE: injection moulding, rotation moulding, film casting and film-blowing. Injection moulding grade LLDPE is used to manufacture small containers. Rotation moulding grade LLDPE is used to make large size containers. Film casting grade LLDPE is used to make packing film for food use. Film-blowing grade LLDPE is used to make heavy duty packing bags, shopping bags and garbage bags.

LDPE

Formosa Plastics produces three major grades of LDPE: film, injection and coating. Film grade LDPE is used to make agricultural shrink film and transparent film. Injection grade LDPE is used to make houseware, high gloss toys and artificial flowers. Coating grade LDPE is used to make paper substrates and foam material.

Polypropylene Division

Formosa Plastics has engaged in the production of polypropylene since 1979 through its investments in Yungchia Chemical Industries Corporation. Formosa Plastics' polypropylene division was formed following Formosa Plastics' merger of that company into its own operations in August 2003. The principal products manufactured by Formosa Plastics' polypropylene division are polypropylene and polyoxymethylene ("POM"). Sales of polypropylene and POM accounted for 13.8 per cent., 16.9 per cent. and 18.8 per cent. of Formosa Plastics' total consolidated operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. The following table summarizes the consolidated sales volume and consolidated sales revenues of polypropylene and POM manufactured by Formosa Plastics' polypropylene division for the periods indicated:

	Year ended 31 December									
	2012			**2013**			**2014**			
	Volume (MT)	*NT$ (millions)*	*%*	*Volume (MT)*	*NT$ (millions)*	*%*	*Volume (MT)*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
Polypropylene	561,351	25,681.8	94.4	747,962	34,938.1	95.6	791,533	39,080.4	1,236.7	95.7
POM	31,264	1,521.5	5.6	37,837	1,608.6	4.4	38,876	1,754.8	55.5	4.3
Total	–	27,203.3	100.0	–	36,546.7	100.0	–	40,835.2	1,292.2	100.0

Polypropylene

Polypropylene is one of the most versatile and low cost polymers in the petrochemicals industry. Formosa Plastics produces three major types of polypropylene: homopolymer polypropylene, random copolymer polypropylene and impact copolymer polypropylene. Homopolymer polypropylene is used in the production of biaxially oriented polypropylene ("BOPP") film, inflated polypropylene ("IPP") film, cast unoriented polypropylene ("CPP") film, yarn, woven bags, staple fibre, filter cloth, thermoforming sheet, transparent pressure forming sheet, toys, food containers, housewares and electrical appliances. Random copolymer polypropylene is used in the production of shrink film, heat sealing layers, food packaging, garment packaging, transparency CPP film, transparent containers, housewares and food container. Impact copolymer polypropylene is used for the production of pail, sports appliances, base of luggage, automotive parts, electric appliances, furniture and storage boxes.

POM

POM has outstanding mechanical strength – it is oil, heat and water resistant. Due to its unique properties, POM is commonly used in automotive parts, electrical machinery, transportation equipment and medical instruments.

Tairylan Division

The principal products manufactured by Formosa Plastics' Tairylan division include acrylic acid and esters, acrylic fibre, SAP, carbon fibre and NBA. Formosa Plastics' Tairylan division historically sold products under the Tairylan brand name. Sales of the principal products produced by the Tairylan division accounted for 17.6 per cent., 16.3 per cent. and 14.5 per cent. of Formosa Plastics' total consolidated operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth the consolidated sales volume and consolidated sales revenues of each of the key products manufactured by Formosa Plastics' Tairylan division for the periods indicated and the percentage of consolidated operating revenues of the Formosa Plastics' Tairylan division represented by each such product:

	Year ended 31 December									
	2012			2013			2014			
	Volume (MT)	NT$ (millions)	%	Volume (MT)	NT$ (millions)	%	Volume (MT)	NT$ (millions)	U.S.$ (millions)	%
Acrylic acid and esters	332,665	18,568.9	53.3	283,952	16,414.5	46.7	319,864	16,028.7	507.2	50.8
Acrylic fibre	36,146	3,074.9	8.8	40,069	3,208.6	9.1	35,123	3,123.1	98.8	9.9
SAP	70,437	4,275.1	12.3	118,598	7,297.6	20.8	84,427	4,813.4	152.3	15.2
Carbon fibre	2,417	1,466.5	4.2	3,329	1,561.0	4.4	3,215	1,647.6	52.1	5.2
NBA	115,579	4,719.8	13.6	116,981	4,715.7	13.4	81,765	2,971.5	94.0	9.4
Others	–	2,729.2	7.8	–	1,962.7	5.6	–	2,995.9	94.7	9.5
Total	–	34,834.4	100.0	–	35,160.1	100.0	–	31,580.2	999.4	100.0

Acrylic acid and esters

Formosa Plastics is the ROC's sole manufacturer of acrylic acid and esters. The acrylic acid produced by Formosa Plastics is used primarily for its production of acrylic esters, which are integral building blocks in the manufacture of synthetic fibres, paints, adhesives, emulsion resins, pastes, acrylic boards, fibre finishing agents and thermosetting industrial finishes. Formosa Plastics produces four types of acrylic esters: methyl acrylate, ethyl acrylate, butyl acrylate and 2-ethyl hexyl acrylate. For the year ended 31 December 2014, Formosa Plastics retained approximately 11.4 per cent. by weight of the acrylic esters it produced for use in the manufacture of acrylic fibres.

Acrylic fibre

Formosa Plastics manufactures three principal forms of acrylic fibre: acrylic tow, acrylic staple fibre and acrylic top, each under the Tairylan brand name. Acrylic fibre may be spun, like cotton, into pure and blended yarn, which has a wide variety of applications in the manufacturing of textiles, including sweaters, knitted fabrics, carpets, sportswear and curtains. Sales of acrylic fibre is influenced by fashion trends and the price and availability of wool and cotton, which compete with acrylic fibres in certain downstream applications. As acrylic fibre is mainly used to manufacture winter clothing, weather patterns also influence demand for acrylic fibre.

SAP

SAP is a resin synthesized by the polymerization of acrylic acid and caustic soda. SAP is insoluble, but can absorb several hundreds of times its own weight of water. Because of its excellent absorption properties, SAP is principally used in the production of disposable diapers, sanitary napkins, soil improvement fluids, sealants and construction materials.

Carbon fibre

Carbon fibre is a lightweight, high-strength material which is used in the manufacture of tennis and badminton racquets, fishing rods, bicycles, golf clubs and other sporting equipment. The unique properties of carbon fibre make it suitable for a wide range of potential applications, including aeronautical materials and automobile parts.

NBA

NBA is an intermediate in the production of butyl acrylate, butyl acetate, dibutyl phthalate, dibutyl sebacate, and other butyl esters and the corresponding butyl ether acetates, and is used in the manufacture of pharmaceuticals, polymers, pyroxylin plastics, herbicide esters, printing and butyl xanthate. It is also used as a diluent/reactant in the manufacture of urea-formaldehyde and melamine-formaldehyde resins.

Chemicals Division

The principal products manufactured by Formosa Plastics' chemicals division include AN, MMA, ECH, MTBE and B-1. Sales of the principal products produced by the chemicals division accounted for 16.8 per cent., 16.1 per cent. and 16.5 per cent. of Formosa Plastics' total consolidated operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth the consolidated sales volume and consolidated sales revenues of each of the key products manufactured by Formosa Plastics' chemicals division for the periods indicated and the percentage of consolidated operating revenues of Formosa Plastics' chemicals division represented by each such product:

	Year ended 31 December									
	2012			2013			2014			
	Volume (MT)	NT$ (millions)	%	Volume (MT)	NT$ (millions)	%	Volume (MT)	NT$ (millions)	U.S.$ (millions)	%
AN	238,549	13,143.9	39.5	268,806	14,229.9	40.9	266,923	15,430.8	488.3	43.0
MMA	77,699	4,644.5	14.0	82,696	4,888.4	14.1	79,038	5,022.0	158.9	14.0
ECH	79,593	4,153.9	12.5	89,739	4,132.1	11.9	88,384	4,326.5	136.9	12.1
MTBE	178,126	6,046.0	18.2	182,460	6,033.3	17.4	178,831	5,651.1	178.8	15.8
B-1	28,491	1,067.6	3.2	33,337	1,223.4	3.5	31,017	1,196.0	37.8	3.3
Others	–	4,172.4	12.6	–	4,252.1	12.2	–	4,224.7	133.8	11.8
Total	–	33,228.3	100.0	–	34,759.2	100.0	–	35,851.1	1,134.5	100.0

AN

AN is one of the principal raw materials used in the production of acrylic staple fibre and ABS resin, which Formosa Plastics' chemicals division supplies to Formosa Plastics' acrylic fibre plant and Formosa Chemicals & Fibre's ABS plant.

MMA

MMA is principally used in the production of acrylic plates, grains and pipes. It is also used in plastics modifiers, additives for paints, coatings and adhesives.

ECH

ECH is used in the production of epoxy for the manufacture of printed circuit board, automobile paint, metal container linings and building reinforcement materials.

MTBE

MTBE is used as an additive in unleaded gasoline.

B-1

B-1 is an ancillary raw material used in the production of HDPE and LLDPE.

Organization

Operating Divisions

Formosa Plastics' PVC resins and related products, polyolefins, polypropylene, acrylic acid and esters and related products and chemical products are managed by five operating business divisions, with each of these divisions focusing on a particular product or group of products. The following table sets forth the principal products of each of Formosa Plastics' product categories and the typical applications of such products, as well as the divisions responsible for the manufacture of such products:

Product Category	Division	Main Products/ Business	Typical Applications
PVC resins and related products	Plastics Division	PVC resins	PVC pipes, PVC film and PVC leather
		Caustic soda	Rayon fibre, pulp and dyes
		VCM	Raw materials used for production of PVC resins
		MBS resin	Strengthening PVC rigid film and PVC bottles
Polyolefins	Polyolefin Division	HDPE	Grocery, merchandize and trash bags; food containers and plastic drink cups; safety equipment and industrial chemicals and motor oil
		EVA	General packaging sanitary applications, shoe materials, non-woven and fabrics
		LLDPE	Garbage and lawn-leaf bags; housewares; home plastic storage containers, kitchen trash containers produce bags and pallet stretch wrap
		LDPE	Agricultural shrink film and transparent film, artificial flowers; food packaging films; plastic bottles; coatings on flexible packaging products
Polypropylene	Polypropylene Division	Polypropylene	Staple fibres for carpets, rugs and upholstery; housewares; food containers; automotive parts; electrical appliances, sports appliances, furniture and storage boxes; BOPP film
		POM	Raw materials used for production of automotive parts, electrical machinery, transportation equipment

Product Category	Division	Main Products/ Business	Typical Applications
Acrylic acid and esters and related products	Tairylan Division	Acrylic acid and esters	Acrylic fibre, SAP, paints and adhesives
		Acrylic fibre	Knitted fabrics, sweaters, carpets and sportswear
		SAP	Disposable diapers
		Carbon fibre	Tennis and badminton racquets, fishing rods and bicycles
		NBA	Intermediate used in manufacture of pharmaceuticals, polymers, pyroxylin plastics, herbicide esters, printing and butyl xanthate
Chemicals	Chemicals Division	AN	Raw materials used for manufacture of acrylic fibres and ABS resins
		MMA	Raw materials for acrylic plates, grains and pipes
		ECH	Production of epoxy for the manufacture of circuit board, automobile paint, building reinforcement materials
		MTBE	gasoline additives
		B-1	Raw material for production of HDPE and LLDPE

Overseas Operations

Formosa Plastics conducts its overseas operations through direct and indirect subsidiaries and joint ventures. Formosa Plastics' operations in the PRC are conducted through joint ventures and subsidiaries of Formosa Plastics Corporation (Cayman) Limited ("Formosa Plastics (Cayman)") and Formosa Industries (Hong Kong), and Formosa Plastics' operations in the United States are conducted principally through FPC U.S.A.. Notwithstanding the foregoing, with the exception of plants operated by joint ventures in which Formosa Plastics has a minority interest only, Formosa Plastics' manufacturing plants overseas also report regularly to their corresponding divisions in the ROC and adhere to similar management principles and production techniques adopted by Formosa Plastics' manufacturing plants in the ROC. Management staff from Formosa Plastics' Taiwanese headquarters are seconded to these subsidiaries and joint ventures to assist the operation of Formosa Plastics' manufacturing plants overseas. Sales orders are coordinated by the corresponding divisions in the ROC. Formosa Plastics' goal is to maintain similar operating procedures for all of Formosa Plastics' manufacturing plants.

Manner of Sale

The majority of Formosa Plastics' products are sold to Formosa Plastics' principal customers directly by the relevant division. In other instances, they are sold through independent distributors. In accordance with industry practice, Formosa Plastics sells substantially all of its products on a purchase order basis.

Raw Materials

Supply and Consumption

Raw materials sourced within and outside the Formosa Group. Cost of raw materials constituted 78.5 per cent. of Formosa Plastics' operating costs for the year ended 31 December 2014. Some of these raw materials were purchased from Formosa Plastics' affiliates, with all such purchases being made on an arm's length basis at market prices. Such purchases, like Formosa Plastics' other transactions with its affiliates, are conducted on terms that are not significantly different as those for comparable transactions with non-affiliates. See "Related Party Transactions – Formosa Plastics". Purchases from affiliates within the Formosa Group, primarily Formosa Petrochemical, accounted for 67.6 per cent., 65.1 per cent. and 65.1 per cent. of Formosa Plastics' consolidated purchases of raw materials by value for the years ended 31 December 2012, 2013 and 2014, respectively. The table below sets forth certain information regarding the principal raw materials that Formosa Plastics sources from other entities, including other members of the Formosa Group.

Raw Materials	Principal Use	Principal Supplier
Ethylene	PVC resins, polyolefins, EDC, VCM	Formosa Petrochemical, CPC Corporation, Marubeni
Propylene	Acrylic acid and esters, ECH, polypropylene, AN	Formosa Petrochemical, CPC Corporation
Salt	Caustic soda	Marubeni, Mitsubishi, Sojitz
Coal dust	Utilities	Unicoal, Mars, Nusantara, J Aron, Glencore, SUEK, Phoenix, Zeus, Ultima, LG, New Hope

Raw materials produced internally

As part of Formosa Plastics' vertical integration strategy, Formosa Plastics produces a series of chemical products in the No. 6 Naphtha Cracker Complex for use principally in the production of its own plastics products. The following table sets forth certain information regarding the principal raw materials that Formosa Plastics produces internally.

Raw Materials Produced Internally	Principal Use	Division responsible
VCM	PVC resins	Plastics division
EDC	VCM	Plastics division
Caustic soda	ECH	Plastics division
AN...........................	Acrylic fibre	Chemicals division
MMA	MBS resins	Chemicals division
NBA	Acrylic esters	Tairylan division

Principal raw materials consumed

Formosa Plastics' principal raw materials by value consumed are ethylene, propylene and salt. The following table sets forth, for the periods indicated, the amount of ethylene, propylene and salt consumed by Formosa Plastics:

	Year ended 31 December		
	2012	**2013**	**2014**
	(KT)	*(KT)*	*(KT)*
Ethylene	1,389	1,580	1,501
Propylene	1,120	1,733	1,768
Salt	2,221	2,276	1,366
Coal dust	1,343	1,426	1,413

Formosa Plastics generally purchases its major raw materials pursuant to agreements with a term of one or more years which do not contain fixed price terms. Under these agreements, prices are adjusted periodically with reference to international market prices. These agreements generally specify minimum and maximum quantities, subject to adjustment in certain circumstances.

Types of Raw Materials

Plastics Division

PVC resins. The principal raw materials used in the production of PVC resins are ethylene and chlorine. Ethylene is chlorinated to produce EDC, which is then cracked to produce VCM. VCM is in turn polymerized into PVC resins. Formosa Plastics obtains the chlorine used in its production of PVC resins from salt imported principally from Australia and Mexico.

Ethylene is difficult and expensive to transport and store because it is highly flammable and volatile and must be shipped and stored either under high pressure or at low temperatures in specially constructed containers, making it relatively expensive to import. In response to the overall shortage of ethylene production in the ROC, Formosa Plastics and other companies in the Formosa Group developed additional facilities, principally the No. 6 Naphtha Cracker Complex, to produce a greater domestic supply of ethylene and other chemical products. Formosa Petrochemical now operates the ROC's only privately owned petroleum refinery and naphtha cracking plant. While periodic shutdowns of CPC Corporation's ethylene crackers for scheduled inspections and maintenance are co-ordinated in advance with the inspection and maintenance schedules of CPC Corporation's downstream customers, including Formosa Plastics, an extended unscheduled shutdown of one or more of CPC Corporation's ethylene facilities could have a material adverse effect on Formosa Plastics' operations, particularly its production of PVC resins and polyolefins, which are produced from ethylene.

VCM. All of Formosa Plastics' VCM requirements are met with VCM manufactured internally by its plastics division.

MBS resin. The principal raw materials required to produce MBS resin are MMA, butadiene and styrene, which Formosa Plastics either produces itself or purchases from its affiliates within the Formosa Group. All of Formosa Plastics' requirement of MMA is sourced internally from its chemicals division. Formosa Petrochemical supplies Formosa Plastics with all of its requirement of butadiene while Formosa Chemicals & Fibre supplies Formosa Plastics with all of its requirement of styrene.

Polyolefin Division

The principal raw material used to produce HDPE, EVA, LDPE and LLDPE is ethylene, which Formosa Plastics purchases principally from Formosa Petrochemical, CPC Corporation and Marubeni.

Polypropylene Division

Polypropylene. The principal raw material required to produce polypropylene is propylene, which Formosa Plastics purchases principally from Formosa Petrochemical and CPC Corporation.

Tairylan Division

Acrylic acid and esters. The principal raw material used in the production of acrylic acid is propylene. The principal raw materials used in the production of acrylic esters are acrylic acids and alcohol. Formosa Plastics produces internally all of its requirements of acrylic acid. Formosa Plastics imports most of the alcohols required to manufacture acrylic esters, primarily from Europe and the Middle East.

Acrylic fibres. The principal raw materials required for the production of acrylic fibres are AN and methyl acrylate. Formosa Plastics obtains all of its AN requirements from its own AN plant. Methyl acrylate required to produce acrylic fibres is derived from acrylic acid. Formosa Plastics currently produces all of its acrylic acid and methyl acrylate requirements internally.

Chemicals Division

AN. The principal raw materials used to produce AN are propylene and ammonia. Formosa Petrochemical supplies Formosa Plastics with all of its requirement of propylene for the production of AN while ammonia is imported primarily from suppliers in Southeast Asia and the Middle East.

MMA. The principal raw materials used to produce MMA are acetone, HCN and methanol. Formosa Plastics obtains all of its requirements of acetone from Formosa Chemicals & Fibre. All of Formosa Plastics' requirement of HCN is produced in its AN plant and methanol is imported primarily from suppliers in the Middle East and Europe.

ECH. The principal raw materials used to produce ECH are propylene, chlorine and sodium hydroxide. Formosa Petrochemical supplies Formosa Plastics with all of its requirements of propylene for the production of ECH. Formosa Plastics produces all of its requirement of chlorine and sodium hydroxide internally in its caustic soda plant.

MTBE. The principal raw materials used to produce MTBE are raffinate-1 and methanol. All of Formosa Plastics' requirement of raffinate-1 are sourced by Formosa Petrochemical. Methanol is imported principally from suppliers in the Middle East and Europe.

B-1. The principal raw material used to produce butadiene-1 is raffinate-2. All of Formosa Plastics' requirement of raffinate-2 is produced internally in its MTBE plant.

Sales

Geographical Markets

The following table sets forth, for the periods indicated, the percentage breakdown of the consolidated sales revenues of Formosa Plastics' key products by geographic segments:

	Year ended 31 December		
	2012	2013	2014
	%	%	%
PVC resins			
ROC	26.4	25.7	26.9
PRC	44.1	38.7	36.2
South Asia	20.1	25.3	24.7
Others	9.4	10.3	12.2
Total	100.0	100.0	100.0
Caustic soda			
ROC	57.7	63.9	66.4
North America	13.2	15.4	15.0
Australia and New Zealand	26.7	18.9	16.3
Others	2.4	1.8	2.3
Total	100.0	100.0	100.0
HDPE			
ROC	46.7	40.7	42.8
PRC	30.6	41.1	31.9
Southeast Asia	3.2	3.6	5.4
Others	19.5	14.6	19.9
Total	100.0	100.0	100.0
Acrylic esters			
ROC	34.1	43.5	43.3
PRC	51.5	39.1	42.2
South Asia	4.1	5.0	5.1
Others	10.3	12.4	9.4
Total	100.0	100.0	100.0
AN			
ROC	53.5	50.6	52.2
PRC	38.2	37.0	44.6
Northeast Asia	4.2	4.2	2.1
Others	4.1	8.2	1.1
Total	100.0	100.0	100.0
Poplypropylene			
ROC	28.7	23.1	26.1
PRC	59.7	61.6	61.6
Hong Kong	8.7	8.5	7.5
Others	2.9	6.8	4.8
Total	100.0	100.0	100.0

Customers

The ROC is the most important market for Formosa Plastics, accounting for 40.2 per cent. of its total consolidated operating revenues for the year ended 31 December 2014. In the domestic market, Formosa Plastics' principal customers are its affiliates in the Formosa Group, which accounted for 16.8 per cent. of Formosa Plastics' total consolidated operating revenues for the year ended 31 December 2014. Formosa Plastics' unaffiliated customer base consists primarily of small and medium-size secondary processors and producers of plastics and fibre products in the ROC. Formosa Plastics has had long-term relationships with many of its customers, which it has established and maintained by providing them with a steady supply of competitively priced products and technical assistance.

For the year ended 31 December 2014, Formosa Plastic's largest customers were Nan Ya Plastics, Formosa Chemicals & Fibre and Formosa Petrochemical, which accounted for 8.1 per cent., 6.1 per cent. and 5.1 per cent. respectively, of Formosa Plastics' total consolidated operating revenues for the same period. No other customer accounted for more than 5 per cent. of Formosa Plastics' total consolidated operating revenues for the year ended 31 December 2014.

In the export market, Formosa Plastics' products are sold primarily to secondary plastics processors in the PRC, who collectively accounted for 36.8 per cent. of Formosa Plastics' total consolidated operating revenues for the year ended 31 December 2014.

Plastics Division

Formosa Plastics' principal customers for its plastics products are its affiliates within the Formosa Group. For the year ended 31 December 2014, 16.7 per cent. of Formosa Plastics' sales of PVC resins were made to Nan Ya Plastics. No other single customer accounted for more than 10 per cent. of Formosa Plastics' total sales of PVC resins for the year ended 31 December 2014. Exports constituted 73.1 per cent. of Formosa Plastics' sales of PVC resins for the year ended 31 December 2014, primarily to secondary plastics producers in the PRC and South Asia. For the year ended 31 December 2014, 13.6 per cent. of Formosa Plastics' sales of caustic soda were made to Formosa Chemicals & Fibre, with no other customer accounting for more than 10 per cent. of Formosa Plastics' total sales for the same period.

Polyolefin Division

Formosa Plastics sells the polyolefins it produces to both domestic and overseas manufacturers. Formosa Plastics' largest HDPE customer is ITOCHU Taiwan, which accounted for 4.0 per cent. of Formosa Plastics' HDPE sales for the year ended 31 December 2014. No other customer accounted for more than 4 per cent. of Formosa Plastics' sales of HDPE for the year ended 31 December 2014. In the export market, Formosa Plastics sells the HDPE, LDPE, EVA and LLDPE it produces primarily to the PRC, which accounted for 31.9 per cent., 29.2 per cent., 48.3 per cent. and 12.9 per cent. of Formosa Plastics' sales of HDPE, LDPE, EVA and LLDPE, respectively, for the year ended 31 December 2014.

Polypropylene Division

Formosa Plastics sells the polypropylene it produces to both domestic and overseas manufacturers. In the domestic market, Formosa Plastics sold 4.8 per cent. of its polypropylene production to Nan Ya Plastics and the balance to third parties outside the Formosa Group for the year ended 31 December 2014. In the export market, Formosa Plastics exported 61.6 per cent. of its polypropylene production to the PRC during the same period.

Tairylan Division

Formosa Plastics sells the acrylic acid and esters it produces primarily to manufacturers of paints, adhesives and textile sizing. For the year ended 31 December 2014, 43.3 per cent. of Formosa Plastics' sales of acrylic esters were made to domestic customers. Formosa Plastics' largest acrylic esters customer is an unaffiliated domestic adhesive manufacturer which accounted for 9.2 per cent. of Formosa Plastics' sales of acrylic esters for the year ended 31 December 2014.

Formosa Plastics sells the acrylic fibres it produces primarily to textile manufacturers. Exports represented 83.6 per cent. of Formosa Plastics' total sales of acrylic fibres for the year ended 31 December 2014. For the year ended 31 December 2014, 68.4 per cent. of Formosa Plastics' exports were made to customers in the PRC and the Middle East. In the domestic market, Formosa Chemicals & Fibre accounted for 3.0 per cent. of Formosa Plastics' acrylic fibre sales for the year ended 31 December 2014.

Chemicals Division

Formosa Plastics sells the chemical products it produces primarily to its affiliates within the Formosa Group and to domestic manufacturers. For the year ended 31 December 2014, 70.8 per cent. of the AN produced by Formosa Plastics was sold to Formosa Chemicals & Fibre and 14.0 per cent. was sold to Formosa Plastics' own Tairylan division. All of the MTBE produced by Formosa Plastics was sold to Formosa Petrochemical. For the same period, Formosa Plastics sold 90.9 per cent. of the ECH it produced to Nan Ya Plastics. The balance of its chemical products was exported to manufacturers in the PRC and South Asia.

Competition

Formosa Plastics competes primarily on the basis of price, quality, supply stability and aftersales service. Formosa Plastics believes that it enjoys an advantage over its competitors in its principal product markets because of its significantly larger production capacity which enables it to take advantage of economies of scale. In addition, Formosa Plastics believes that its customers are attracted by the substantial after-sales service and technical support offered by Formosa Plastics. Formosa Plastics' businesses are principally domestic in scope with the exception of PVC resins, acrylic acid and esters, SAP, NBA, acrylic fibres, polyolefins and polypropylene, which Formosa Plastics exports primarily to the PRC and countries in Southeast Asia and South Asia.

Product Sector	Principal Geographical Markets	Principal Competitors
Plastics Division		
PVC resins	ROC, India, PRC, Middle East	Shinetsu, LG, Xinjiang Tianye, Xinjiang Zhongtai Chemical, Tosoh
Caustic soda	ROC, Australia, U.S.A.	Hanwha, Tosoh, Kaneka, OxyChem, Shanghai Chlor-Alkali Chemical
Polyolefin Division		
HDPE	ROC, PRC, Southeast Asia	USI, Petro Rabigh, SABIC, PTT, KPIC
EVA	ROC, PRC, Southeast Asia, India	USI, Asia Polymer, Samsung Total Petrochemicals, LG Chemical, Sipchem
LLDPE....................	ROC, PRC, Southeast Asia, India	USI, Petro Rabigh, SABIC, Equate, PTT
LDPE	ROC, PRC	USI, Asia Polymer, Hanwha Chemical, LG Chemical, PTT

Product Sector	Principal Geographical Markets	Principal Competitors
Polypropylene Division		
Polypropylene	ROC, PRC, Southeast Asia	LCY Chemical, Sinopec China, Petro China, Exxon Mobile, Samsung Total
Tairylan Division		
Acrylic acid and esters	ROC, India, Southeast Asia	BASF, Nippon Shokubai, Dow Chemical, Arkema, JORONG CHEM
Acrylic fibre	ROC, Middle East, PRC	Aksa, Dralon GmbH, Sinopec Shanghai Petrochemical, Jilin Qifeng Chemical Fiber, Thai Acrylic Fibers
SAP	ROC, Europe, PRC, Southeast Asia	Nippon Shokubai, BASF, EVONIK, San-Dia Polymers, Sumitomo Seika
Carbon fibre	ROC, PRC, Europe	Toray, Toho Tenax, Mitsubishi Rayon, SGL, CYTEC
NBA	ROC, PRC, Northeast Asia	BASF, Dow Chemical, Eastman, OXEA, Luxichemical
Chemicals Division		
AN	ROC, PRC	Sinopec, BP, CPDC, Asahi, Ineos
MMA	ROC, PRC, Southeast Asia	Daesan, Kaohsiung MMA, Lucite, Asahi, Sumitomo
ECH	ROC, PRC, India	Haili Chemical, Samsung, Dow Chemical
MTBE	ROC	TASCO, SABIC

Plastics Division

Formosa Plastics is the ROC's leading producer of PVC resins. For the year ended 31 December 2014, Formosa Plastics believes that its share of the domestic PVC resins market was approximately 66 per cent., with the balance split between its domestic competitors (including China General Plastics Corporation, CGPC Polymer Corporation and Ocean Plastics Corporation) and imports. As domestic supply of PVC resins has substantially outweighed domestic demand in recent years, most of the ROC's demand for PVC resins has been satisfied by domestic production. However, due to reasons such as volatility in the price of PVC resins and adaptability and diversity of PVC products in the international market, the ROC still imports a portion of its PVC requirements.

Polyolefin Division

Formosa Plastics is the largest domestic producer of HDPE in the ROC and believes that it had an approximately 55 per cent. share of the domestic market for the year ended 31 December 2014. The HDPE market is highly competitive. Formosa Plastics believes that its only domestic competitor in the HDPE market held a market share of approximately 22 per cent. for the year ended 31 December 2014, with the remainder of domestic demand satisfied by imports. Accordingly, Formosa Plastics views its primary competitors in the HDPE market as foreign producers selling prime-grade HDPE into the ROC. These producers are located primarily in the Middle East.

Polypropylene Division

Formosa Plastics is one of the three major polypropylene producers in the ROC and believes that it had an approximately 32 per cent. share of the domestic market for the year ended 31 December 2014. Formosa Plastics' two main domestic competitors, namely, Formosa Chemicals & Fibre and LCY Chemical Corp., held a market share of approximately 27 per cent. and 14 per cent., respectively, of the domestic market for the same period, with the remainder of domestic demand satisfied by imports.

Tairylan Division

Formosa Plastics is the only manufacturer of acrylic esters in the ROC and believes that it had a domestic market share of approximately 74 per cent. for the year ended 31 December 2014, with imports accounting for the remainder.

Formosa Plastics is the second largest producer of acrylic fibre in the ROC and believes that it had a domestic market share of approximately 45 per cent. for the year ended 31 December 2014. Formosa Plastics believes that the largest manufacturer of acrylic fibre in the ROC had a market share of approximately 52 per cent. for the same period, with imports from a number of manufacturers, primarily from Japan, accounting for the remainder.

Chemicals Division

Formosa Plastics is the ROC's largest domestic manufacturer of AN and believes that it had an approximately 39 per cent. share of the domestic market for the year ended 31 December 2014. Formosa Plastics believes that its main domestic competitor in the AN market held a market share of approximately 34 per cent. of the domestic market for the year ended 31 December 2014, with the remainder of domestic demand satisfied by imports.

Properties and Facilities

As at 31 December 2014, Formosa Plastics operates 31 manufacturing plants located on five production sites in the ROC as well as four manufacturing plants in the PRC. Formosa Plastics owns all of the plants, property and equipment at each of its production sites.

Production Capacity

The following table sets forth Formosa Plastics' annual production capacity for its principal products and the average utilization rates of its facilities for such products for the periods indicated:

	Year ending 31 December		
	2012	**2013**	**2014**
Plastics Division			
PVC resins			
Capacity (MTY)	1,701,000	1,701,000	1,701,000
Average Utilization Rate (%)	83.2	88.4	84.0
Caustic soda			
Capacity (MTY)	1,600,000	1,700,000	1,700,000
Average Utilization Rate (%)	92.1	87.0	84.8
VCM			
Capacity (MTY)	1,580,000	1,580,000	1,580,000
Average Utilization Rate (%)	89.7	94.8	91.1

	Year ending 31 December		
	2012	2013	2014
Polyolefin Division			
HDPE			
Capacity (MTY)	566,000	566,000	566,000
Average Utilization Rate (%)	68.7	82.3	75.8
EVA/LDPE			
Capacity (MTY)	240,000	240,000	240,000
Average Utilization Rate (%)	71.3	66.6	72.2
LLDPE			
Capacity (MTY)	264,000	264,000	264,000
Average Utilization Rate (%)	46.0	80.1	70.6
Polypropylene Division			
Polypropylene			
Capacity (MTY)	850,000	850,000	850,000
Average Utilization Rate (%)	66.8	87.2	93.3
Tairylan Division			
Acrylic acid and esters			
Capacity (MTY)	498,000	498,000	498,000
Average Utilization Rate (%)	78.5	77.0	71.5
Acrylic fibres			
Capacity (MTY)	63,000	43,800	43,800
Average Utilization Rate (%)	60.6	90.6	82.8
SAP			
Capacity (MTY)	95,000	155,000	155,000
Average Utilization Rate (%)	72.8	80.4	55.8
Carbon fibre			
Capacity (MTY)	8,750	8,750	8,750
Average Utilization Rate (%)	31.3	38.2	30.7
NBA			
Capacity (MTY)	250,000	250,000	250,000
Average Utilization Rate (%)	86.3	96.1	62.8
Chemicals Division			
AN			
Capacity (MTY)	280,000	280,000	280,000
Average Utilization Rate (%)	88.0	93.1	94.0
MMA			
Capacity (MTY)	98,000	98,000	98,000
Average Utilization Rate (%)	79.2	82.9	83.8
ECH			
Capacity (MTY)	100,000	100,000	100,000
Average Utilization Rate (%)	80.5	83.9	91.3
MTBE4			
Capacity (MTY)	174,000	174,000	174,000
Average Utilization Rate (%)	101.3	104.9	100.0

Equipment and Maintenance

A significant portion of the equipment in Formosa Plastics' plants is designed by the staff of its engineering and construction division and is manufactured by Formosa Heavy Industries under the supervision of Formosa Plastics' technicians. Formosa Plastics has developed or refined many of the reactors and much of the processing equipment used in its plants.

Research and Development

In line with its drive to raise production efficiency and reduce costs, Formosa Plastics' research and development activities are focused on innovation and development of new formulae, optimization of manufacturing processes, quality improvement, reducing energy consumption and developing its human capital. Formosa Plastics has achieved new levels in innovation through collaboration with its industry peers, developing various new products such as PVC for high insulation cable and wire application, fast gelation type Processing Aid, EVA for wire and cable, rotation LLDPE, HDPE for non-woven fibre, high-permeability SAP, high gel strength SAP, anti-discoloration SAP, high-performance carbon fibre, epoxy resin system of towpregs for pressure vessels, flat cross-section type modacrylic fibre, wig type modacrylic fibre, whitening resistance impact polypropylene for suitcases and high transparency polypropylene. In December 2013, Formosa Plastics also signed a technology transfer agreement with the Industrial Economics and Knowledge Center of the ROC on the application of third generation dye sensitized solar cells, which Formosa Plastics intends to commercialize for the benefit of the ROC's solar industry.

Formosa Plastics' research and development activities are conducted at two levels. Each manufacturing facility has its own research and development staff generally devoted to improving production processes and addressing specific technical problems. In addition, Formosa Plastics has a separate research and development department responsible for developing new products and assisting the research and development staffs of the manufacturing facilities with respect to specific projects. In addition, Formosa Plastics often lends its research and development expertize to customers seeking to improve product quality or expand into new product lines.

Going forward, Formosa Plastics plans to continue in its efforts to enhance its competitiveness and promote sustainable development by actively monitoring the latest developments in the shale gas, coal seam gas and new energy industries, analyzing vertical and horizontal integration in its principal product lines, organizing seminars and promoting professional technologies, strengthening its inter-department research and development capabilities, planning for short/medium/long-term research and development projects, promoting low-carbon/environmental-friendly/recyclable developments and facilitating university-industry co-operation to achieve more efficient exchange of technological know-how.

Formosa Plastics has developed or purchased all of the material technology currently being used at its production facilities. For the year ended 31 December 2014 the total amount spent on research and development activities undertaken by Formosa Plastics was NT$1.6 billion, including costs for personnel and facilities.

General Administrative Office of the Formosa Group

As a member of the Formosa Group, Formosa Plastics shares in the expenses of the Formosa Group's General Administrative Office, or GAO. The GAO maintains facilities and personnel for the performance of some financing, stock transfer and other administrative functions and procurements on a pooled basis for members of the Formosa Group. Each Formosa Group company contributes a small sum towards the expenses and administrative costs of the GAO.

Employees

Workforce and compensation

As at 31 December 2014, Formosa Plastics employed over 7,000 fulltime employees. The average employment period for employees as at 31 December 2014 was 16.2 years and approximately 80 per cent. of these employees belonged to unions. These unions are responsible for providing continuing education and welfare to members. None of Formosa Plastics' employees are employed pursuant to collective bargaining agreements, although the unions are involved in the negotiation of wage disputes. Formosa Plastics considers its employee relations to be good. Formosa Plastics has never experienced a material business disruption as a consequence of a labor dispute.

Direct labor costs accounted for 2.6 per cent., 2.7 per cent. and 2.7 per cent. of Formosa Plastics' total consolidated operating costs for the years ended 31 December 2012, 2013 and 2014, respectively. Many of Formosa Plastics' workers are highly skilled and Formosa Plastics seeks to achieve the appropriate balance between automation of its factories and the use of skilled employees to monitor the production process.

Training and Career Development

Formosa Plastics believes strongly in the professional development of its employees and maintains a training center for conducting seminars. Formosa Plastics offers regular training to all of its employees. There are three major types of training programs, which primarily relate to labor safety, foreign language education and professional development.

Environmental and Other Regulatory Matters

Formosa Plastics is subject to regulation by the Environmental Protection Administration Executive Yuan, ROC (Taiwan) and the county environmental protection bureau in each county where it produces its products. In addition to licensing Formosa Plastics' operations, these authorities also conduct both scheduled and unscheduled inspections to monitor Formosa Plastics' air and water emissions and solid waste disposal. Formosa Plastics believes that it is in compliance with all applicable material environmental laws and regulations to which it is subject, with the disposal of each pollutant surpassing national control standards. In 2014, Formosa Plastics was rated by the Environmental Protection Administration Executive Yuan, ROC (Taiwan) as an "Excellent Green Purchasing Unit" for the fourth consecutive year.

Formosa Plastics is dedicated to industrial safety and environmental protection, and holds these principles in equal regard with business development, having consistently endeavored to promote a safe and clean environment for both its workers and the communities in which its facilities are located. Formosa Plastics' capital investment and expenditures relating to industrial safety and environmental protection totalled NT$534.6 million (U.S.$16.9 million), NT$405.6 million (U.S.$12.8 million) and NT$1,220.4 million (U.S.$38.6 million), respectively, for the years ended 31 December 2012, 2013 and 2014.

Legal Proceedings

Formosa Plastics is not involved in any material litigation or proceedings, nor is Formosa Plastics aware that any such proceedings are pending or threatened.

Principal Subsidiaries and Investee Companies

The following table sets forth certain information as at 31 December 2014 regarding Formosa Plastics' principal subsidiaries and investee companies:

Name	Registered Office	Book Value of Formosa Plastics' Investment (NT$ million)	Percentage Interest Held by Formosa Plastics[1]	Principal Business
Formosa Plastics (Cayman)	P.O. Box 31106, 89 Nexus Way, Seven Mile Beach, Camana Bay, Grand Cayman, Cayman Islands	31,317.6	100.0%	Investment
Formosa Industries (Hong Kong)	7/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	31,190.2	100.0%	Reinvestment
Formosa Industries (Ningbo)	Ningbo Economic and Technical Development Zone	7,301.9	100.0%	Plastics
Formosa AE (Ningbo)..................	Ningbo Economic and Technical Development Zone	14,392.4	100.0%	Acrylic acid and esters
Formosa PP (Ningbo)	Ningbo Economic and Technical Development Zone	6,473.6	100.0%	Polypropylene
Formosa SAP (Ningbo)................	Ningbo Economic and Technical Development Zone	1,080.8	100.0%	SAP
Formosa Electronic (Ningbo)........	Ningbo Economic and Technical Development Zone	245.3	100.0%	Electronics
Formosa PE (Ningbo)	Ningbo Economic and Technical Development Zone	1,696.2	100.0%	Polyethylene
Formosa Petrochemical................	1-1, Formosa Plastics Group Industrial Zones, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	68,831.3	28.8%	Petrochemicals
FPC U.S.A.	9 Peach Tree Hill Road, Livingston, NJ 07039, USA	40,869.2	22.6%	Chemicals
Formosa Heavy Industries	4F, 201-20 Tung Hwa North Road, Taipei, Taiwan, ROC	7,820.8	32.9%	Mechanical equipment
Sky Dragon Investments Limited	Offshore Chambers, P.O. Box 217, Apia, Samoa	2,265.9	50.0%	Investment
Mailiao Power	1-1 Formosa Plastics Group Industrial Zone, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	11,427.1	24.9%	Electricity
Formosa Sumco Technology Corporation	1-1, Formosa Plastics Group Industrial Zones, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	5,707.0	29.1%	Electronics manufacture

Name	Registered Office	Book Value of Formosa Plastics' Investment (NT$ million)	Percentage Interest Held by Formosa Plastics[(1)]	Principal Business
Formosa Group (Cayman) Limited	Offshore Incorporations (Cayman) Limited, Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands	21.9	25.0%	Investment
Formosa Ha Tinh (Cayman) Limited.....................................	Forbes Hare Trust Company Limited, Cassia Court, Suite 716, 10 Market Street, Camana Bay, Grand Cayman, Cayman Islands KY1 9006	15,761.5	14.8%	Investment

Note:

(1) Only in respect of interest directly held by Formosa Plastics.

Formosa Plastics (Cayman) engages in investment and is the holding company of Formosa Industries (Hong Kong). As at 31 December 2014, Formosa Plastics (Cayman) had an issued share capital of U.S.$75,000. Formosa Plastics did not receive any dividends from Formosa Plastics (Cayman) for the year ended 31 December 2014. As at 31 December 2014, Formosa Plastics (Cayman) did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Formosa Plastics (Cayman) for the year ended 31 December 2014.

Formosa Industries (Hong Kong) engages in reinvestment and is the holding company of the Ningbo subsidiaries. As at 31 December 2014, Formosa Industries (Hong Kong) had an issued share capital of HK$6,305 million. Formosa Plastics did not receive any dividends from Formosa Industries (Hong Kong) for the year ended 31 December 2014. As at 31 December 2014, Formosa Industries (Hong Kong) did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Formosa Industries (Hong Kong) for the year ended 31 December 2014.

Formosa Industries (Ningbo) engages in the manufacturing of plastics. Formosa Plastics did not receive any dividends from Formosa Industries (Ningbo) for the year ended 31 December 2014. As at 31 December 2014, Formosa Industries (Ningbo) did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Formosa Industries (Ningbo) for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Industries (Ningbo) made a net loss of NT$528.5 million.

Formosa AE (Ningbo) engages in the manufacturing of acrylic acid and esters. Formosa Plastics did not receive any dividends from Formosa AE (Ningbo) for the year ended 31 December 2014. As at 31 December 2014, Formosa AE (Ningbo) did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Formosa AE (Ningbo) for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa AE (Ningbo) made a net loss of NT$415.2 million.

Formosa PP (Ningbo) engages in the manufacturing of polypropylene. Formosa Plastics did not receive any dividends from Formosa PP (Ningbo) for the year ended 31 December 2014. As at 31 December 2014, Formosa PP (Ningbo) did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Formosa PP (Ningbo) for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa PP (Ningbo) made a net loss of NT$56.3 million.

Formosa SAP (Ningbo) engages in the manufacturing of SAP. Formosa Plastics did not receive any dividends from Formosa SAP (Ningbo) for the year ended 31 December 2014. As at 31 December 2014, Formosa SAP (Ningbo) did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Formosa SAP (Ningbo) for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa SAP (Ningbo) made a net loss of NT$16.2 million.

Formosa Electronic (Ningbo) engages in the manufacturing of electronics. Formosa Plastics did not receive any dividends from Formosa Electronic (Ningbo) for the year ended 31 December 2014. As at 31 December 2014, Formosa Electronic (Ningbo) did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Formosa Electronic (Ningbo) for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Electronic (Ningbo) made a net income of NT$28.0 million.

Formosa PE (Ningbo) engages in the manufacturing of polyethylene. Formosa Plastics did not receive any dividends from Formosa PE (Ningbo) for the year ended 31 December 2014. As at 31 December 2014, Formosa PE (Ningbo) did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Formosa PE (Ningbo) for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa PE (Ningbo) made a net loss of NT$102.8 million.

For a description of Formosa Petrochemical, please see "Description of Formosa Petrochemical". As at 31 December 2014, Formosa Petrochemical owed Formosa Plastics an aggregate amount of NT$3,500 million.

FPC U.S.A. engages in the manufacturing and sale of chemicals. As at 31 December 2014, FPC U.S.A. had an issued share capital of U.S.$621 million. Formosa Plastics did not receive any dividends from FPC U.S.A. for the year ended 31 December 2014. As at 31 December 2014, FPC U.S.A. did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for FPC U.S.A. for the year ended 31 December 2014. For the year ended 31 December 2014, FPC U.S.A. made a net income of NT$23,657.8 million.

Formosa Heavy Industries engages in the sale of mechanical equipment. As at 31 December 2014, Formosa Heavy Industries had an issued share capital of NT$17,904 million. Formosa Plastics did not receive any dividends from Formosa Heavy Industries for the year ended 31 December 2014. As at 31 December 2014, Formosa Heavy Industries owed Formosa Plastics an aggregate amount of NT$2,500 million. Formosa Plastics did not provide any guarantee for Formosa Heavy Industries for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Heavy Industries made a net income of NT$2,102.4 million.

Sky Dragon Investments Limited ("Sky Dragon Investments") engages in investment. As at 31 December 2014, Sky Dragon Investments had an issued share capital of U.S.$250 million. Formosa Plastics did not receive any dividends from Sky Dragon Investments for the year ended 31 December 2014. As at 31 December 2014, Sky Dragon Investments did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Sky Dragon Investments for the year ended 31 December 2014. For the year ended 31 December 2014, Sky Dragon Investments made a net loss of NT$3,036.9 million.

Mailiao Power engages in electricity generation. As at 31 December 2014, Mailiao Power had an issued share capital of NT$20,000 million. Formosa Plastics received dividends of NT$2.7 per share from Mailiao Power for the year ended 31 December 2014. As at 31 December 2014, Mailiao Power did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Mailiao Power for the year ended 31 December 2014. For the year ended 31 December 2014, Mailiao Power made a net income of NT$6,534.5 million.

Formosa Sumco Technology Corporation ("Formosa Sumco Technology") engages in the manufacturing of electronics. As at 31 December 2014, Formosa Sumco Technology had an issued share capital of NT$7,757 million. Formosa Plastics received dividends of NT$0.3 per share from Formosa Sumco Technology for the year ended 31 December 2014. As at 31 December 2014, Formosa Sumco Technology did not owe any debt to Formosa Plastics. Formosa Plastics provided a guarantee up to an aggregate amount of NT$206.5 million for Formosa Sumco Technology for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Sumco Technology made a net income of NT$1,091.1 million.

For a description of the Issuer, please see "Description of the Issuer". Formosa Plastics provided a guarantee up to an aggregate amount of NT$13,202.6 million for the Issuer for the year ended 31 December 2014.

Formosa Ha Tinh (Cayman) Limited ("Formosa Ha Tinh (Cayman)") engages in investment. As at 31 December 2014, Formosa Ha Tinh (Cayman) had an issued share capital of NT$3,445.7 million. Formosa Plastics did not receive any dividends from Formosa Ha Tinh (Cayman) for the year ended 31 December 2014. As at 31 December 2014, Formosa Ha Tinh (Cayman) did not owe any debt to Formosa Plastics. Formosa Plastics did not provide any guarantee for Formosa Ha Tinh (Cayman) for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Ha Tinh (Cayman) made a net loss of NT$1,158.2 million.

Formosa Plastics' equity interests in all of the subsidiaries and investee companies listed above have been paid in full.

MANAGEMENT OF FORMOSA PLASTICS

Directors and Supervisors

The ROC Company Act and the Articles of Incorporation of Formosa Plastics provide that the Board of Directors is to be elected by the shareholders of Formosa Plastics for three-year terms in a shareholders' meeting at which a quorum, consisting of a majority of all issued and outstanding shares, is present. The Chairman is a Director elected by the Board. The 15-member Board of Directors of Formosa Plastics is responsible for the management of the business of Formosa Plastics.

Formosa Plastics currently has three Supervisors. Supervisors are typically elected at the time that Directors are elected. The Supervisors' duties and powers include, but are not limited to, investigation of Formosa Plastics' condition, inspection of Formosa Plastics' corporate records, attending meetings of the Board of Directors, verification of some statements by the Board of Directors prior to the regular shareholders' meetings, calling of shareholders' meetings, representing Formosa Plastics in negotiations with its Directors and notification, when appropriate, to the Board of Directors to cease acting in contravention of any applicable law or regulation or in contravention of Formosa Plastics' Articles of Incorporation or beyond its scope of business. In accordance with the laws of the ROC relating to corporations, a Supervisor cannot concurrently serve as a Director, managerial officer or other staff member. The ROC Company Act requires at least two Supervisors be appointed at all times.

The term of office for the Directors and Supervisors is three years from the date of election. Directors and Supervisors may serve any number of consecutive terms and may be removed from office at any time by a resolution adopted at a shareholders' meeting. The Director or Supervisor being removed without a reason could claim for damages from Formosa Plastics. Normally, all Directors and Supervisors are elected at the same time.

Of the current Directors and Supervisors, Mr. William Wong was elected in his capacity as a representative of Formosa Chemicals & Fibre, Ms. Susan Wang was elected in her capacity as a representative of Nan Ya Plastics, Mr. Wilfred Wang was elected in his capacity as a representative of Formosa Petrochemical, Mr. Y.R. Chang was elected in his capacity as a representative of Hung Tung Co., Ltd. and Mr. C.F. Ho was elected in his capacity as a representative of Chang Gung Medical Foundation. A Director or Supervisor who serves as a representative of a legal entity may be removed or replaced at any time at the discretion of that legal entity, and the replacement Director or Supervisor may serve the remainder of the term of the office of the replaced Director or Supervisor.

The following table sets forth certain information relating to the Directors and Supervisors of Formosa Plastics for the month of December 2014.

Name	Position	Number of Shares Held Directly(1)	Number of Shares Held Through Spouse and Minor Children(2)
C.T. Lee	Chairman	1,262,541	804,686
William Wong(3)	Executive Director	486,978,692	–
Susan Wang(4)	Executive Director	294,793,105	–
Wilfred Wang(5)	Executive Director	131,460,365	–
C.L. Wei	Independent Director	–	–
T.S. Wang	Independent Director	–	–
C.J. Wu	Independent Director	–	–
Y.R. Chang(6)	Director	11,461	–
H.H. Wang	Director	7,369,380	1,021,216
Jason Lin	Director	–	–
T.J. Huang	Director	86,307	3,030
Cheng-Jung Lin	Director	17,957	443
Tze-Fong Chang	Director	3,338	–
Cheng-Chung Cheng	Director	–	–
Wen-Chin Hsiao	Director	6,685	–
C.F. Ho(7)	Supervisor	601,011,035	–
Ralph Ho	Supervisor	27,824,363	–
K.H. Wu	Supervisor	134,537	–

Notes:

(1) In the case of a Director who is a representative of a legal entity, the number in this column only includes the number of Shares held by the corporate shareholder.

(2) Applies to a Director or Supervisor serving in his or her individual capacity only.

(3) Representative of Formosa Chemicals & Fibre.

(4) Representative of Nan Ya Plastics.

(5) Representative of Formosa Petrochemical.

(6) Representative of Hung Tung Co., Ltd..

(7) Representative of Chang Gung Medical Foundation.

Set forth below is a short biography of each of the Directors and Supervisors. All of them were elected for their present term on 19 June 2012.

Mr. C.T. Lee is the Chairman of the Board of Directors. He graduated from National Cheng Kung University.

Mr. William Wong is an Executive Director. He is also the Chairman of the Formosa Group, the Chairman of Formosa Chemicals & Fibre, Formosa Taffeta Co., Limited, the President of Mailiao Power Corporation and a director of many companies in the Formosa Group. He is the son of Mr. Yeong-Tsai Wang, the co-founder of the Formosa Group, the brother of Mr. Wilfred Wang, an Executive Director of Formosa Plastics, and the cousin of Ms. Susan Wang, an Executive Director of Formosa Plastics, and Ms. H.H. Wang, a Director of Formosa Plastics. He graduated from the University of Houston Industrial Engineering.

Ms. Susan Wang is an Executive Director. She is also the Vice-Chairman of the Formosa Group. She is the daughter of Mr. Yeong-Ching Wang, the founder of the Formosa Group, the sister of Ms. H.H. Wang, a Director of Formosa Plastics, a Director of Nanya Technology Corporation, Inotera and Chang Gung Biotechnology and the cousin of Mr. William Wong and Mr. Wilfred Wang, both Executive Directors of Formosa Plastics. She graduated from Barnard College, U.S..

Mr. Wilfred Wang is an Executive Director. He is the son of Mr. Yeong-Tsai Wang, the co-founder of the Formosa Group, the brother of Mr. William Wong, an Executive Director of Formosa Plastics, and the cousin of Ms. Susan Wang, an Executive Director of Formosa Plastics, and Ms. H.H. Wang, a Director of Formosa Plastics. He also serves as the Chairman of Nan Ya Photonics Incorporation, Formosa Plastics Marine Corporation and FormoLight Technologies, Inc. and an Executive Director of Nan Ya Plastics Corporation and Formosa Chemicals & Fibre Corporation. He graduated from University of London.

Mr. C.L. Wei is an Independent Director. He attained a PhD degree in economics from University of Paris.

Mr. T.S. Wang is an Independent Director. He attained a master's degree in business from National Chengchi University.

Mr. C.J. Wu is an Independent Director. He attained a PhD degree in education from National Taiwan Normal University.

Mr. Y.R. Chang is a Director. He graduated from National Dong Hwa University.

Ms. H.H. Wang is a Director. She is the daughter of Mr. Yeong-Ching Wang, the founder of the Formosa Group, the sister of Ms. Susan Wang, an Executive Director of Formosa Plastics, and the cousin of Mr. William Wong and Mr. Wilfred Wang, both Executive Directors of Formosa Plastics. She attained a master's degree in economics from University of California, Berkeley.

Mr. Jason Lin is a Director. He also serves as President of Formosa Plastics. He attained a master's degree in environmental engineering from University of Holland.

Mr. T.J. Huang is a Director. He graduated from Tamkang University.

Mr. Cheng-Jung Lin is a Director. He also serves as Executive Vice President of Formosa Plastics. He graduated from Chung Yuan Christian University.

Mr. Tze-Fong Chang is a Director. He graduated from National Central University.

Mr. Cheng-Chung Cheng is a Director. He also serves as Senior Vice President of Formosa Plastics. He graduated from National Chung Hsing University.

Mr. Wen-Chin Hsiao is a Director. He also serves as Senior Vice President of Formosa Plastics. He graduated from Chung Yuan Christian University.

Mr. C.F. Ho is a Supervisor. He graduated from National Taiwan University of Science and Technology.

Mr. Ralph Ho is a Supervisor. He graduated from the University of San Francisco.

Mr. K.H. Wu is a Supervisor. He graduated from Chung Yuan Christian University.

Executive Officers

The executive officers of Formosa Plastics are appointed by Formosa Plastics' Board of Directors. The following table sets forth certain information relating to the executive officers for the month of December 2014.

Name	Position	Number of Shares Held Directly	Number of Shares Held Through Spouse and Minor Children
Jason Lin	President	–	–
Cheng-Jung Lin	Executive Vice President	17,957	443
Cheng-Chung Cheng	Senior Vice President	–	–
Wen-Chin Hsiao	Senior Vice President	6,685	–
Qing-Lian Huang	Vice President	–	–
King-Long Huang	Vice President	10,400	–
Kwang-Ming Chen	Vice President	–	944
Dong-Qin Ji	Vice President	25,000	–
Tien-Hsiang Lee	Vice President	–	–
Jiann-San Yang	Vice President	780	–
Ray Lei	Vice President	–	–
Wen-Hung Huang	Assistant Vice President	21,199	–

Compensation of Directors and Supervisors

In 2014, shareholders of Formosa Plastics approved the proposed payment of employee share bonuses of NT$26.7 million and no remuneration was paid to its Directors and Supervisors. Such bonuses have been paid. Formosa Plastics does not have a stock option plan.

PRINCIPAL SHAREHOLDERS OF FORMOSA PLASTICS

For the month of December 2014, according to the records of Formosa Plastics, there was no shareholder who beneficially owned 10 per cent. or more of the shares of Formosa Plastics. Beneficial ownership includes ownership by a person's spouse and minor children.

RECENT DEVELOPMENT

Formosa Plastics, together with the other three Guarantors have been investing in a project in Vietnam since 2008 (the "**Vietnam Project**"). The project is located in north-central Vietnam, taking up a leased area of approximately 3,300 hectares. The total investment amount for the Vietnam Project is estimated to be approximately U.S.$ 10.5 billion.

The Vietnam Project will consist of three main components:

- Steel mill: to construct two blast furnaces with is expected to produce 7.1 million tonnes of crude steel per year;

- Port: to construct 11 wharves which together is expected to reach 28.6 million tonnes of throughput; and

- Power plants: to construct five power generation sets with an aggregate production capacity of 650 MW.

The Vietnam Project is a highlight project to the Vietnamese government and has been receiving support from the government. The project site is leased by the Vietnamese government for a total of 70 years with a total rent of U.S.$ 4.5 million. In addition, the Vietnam Project will enjoy both tax and tariff benefits. The Vietnam Project need not pay for any corporate income tax for the first four years when it begins to generate profits, and only 5% for the next 9 years, and ending with a static rate of 10% beyond. It will be exempted from any import tax for key raw materials such as iron ore and coking coal, as well as with nil tariff for steel products within the ASEAN Free Trade Zone.

The Guarantors, China Steel Corporation and some other shareholders together invest in the Vietnam Project. China Steel Corporation, plans to increase its shareholding in the project from 5% to 25%, with the other shareholders, the Guarantors included, transferring part of the interest to China Steel Corporation. Upon the transfer, the capitalization of the Vietnam Project will be increased from U.S.$3.5 billion to U.S$ 4.5 billion.

DESCRIPTION OF NAN YA PLASTICS

BUSINESS

Overview

Nan Ya Plastics Corporation ("**Nan Ya Plastics**") develops and produces a broad range of products in the following principal categories: petrochemical products, electronic materials, polyester products and plastic products. The petrochemical products business is mainly engaged in the manufacture and sale of ethylene glycol and other plastic petrochemical raw materials, the electronic materials business is mainly engaged in the manufacture and sale of copper clad laminate, the polyester products business is mainly engaged in the manufacture and sale of polyester products, the plastic products business is mainly engaged in the manufacture and sale of flexible PVC sheets and other plastics processing products and the printed circuit board business is mainly engaged in the manufacture and sale of printed circuit boards and IC substrates. Nan Ya Plastics believes, based on public information released by its competitors, that it is the world's largest manufacturer of secondary plastics in terms of production capacity and a leading manufacturer of polyester fibre in terms of production capacity. Nan Ya Plastics is also a leading manufacturer of copper clad laminates and printed circuit boards in the ROC. Nan Ya Plastics' products are sold primarily to distributors and tertiary processors operating in the ROC, the PRC, the United States and Japan.

Sales of Nan Ya Plastics' plastics products, petrochemical products, electronic materials and polyester products represented 15.4 per cent., 27.9 per cent., 30.8 per cent., 20.6 per cent., respectively, of Nan Ya Plastics' consolidated operating revenue for the year ended 31 December 2014, with other products and services representing 5.3 per cent., of Nan Ya Plastics' consolidated operating revenue for such period. Domestic sales accounted for 27.4 per cent. of Nan Ya Plastics' consolidated operating revenues for the year ended 31 December 2014. For the year ended 31 December 2014, Nan Ya Plastics' consolidated operating revenues were NT$325,473.2 million (U.S.$10,299.8 million) and its consolidated net income was NT$31,785.3 million (U.S.$ 1,005.9 million).

The principal products of Nan Ya Plastics' petrochemical products business are mono ethylene glycol (MEG), bisphenol-A (BPA) and Di-2-ethylexyl Phthalate (DEHP), which are used internally for the production of Nan Ya Plastics' polyester products, electronic products and plastic products, respectively.

The principal products of Nan Ya Plastics' electronics materials business are copper clad laminates, epoxy resin, glass fibre cloth and copper foil, all of which are principal raw materials for the production of printedcircuit boards.

The principal products of Nan Ya Plastics' polyester products business are polyester filament, polyester staple fibre, polyester chips, and polyester film. Nan Ya Plastics focuses on the production of specialized, high-quality fibres, such as low-melting-point staple fibre, microfibre and fine denier multi-filament yarn.

The principal products of Nan Ya Plastics' plastic products business are flexible polyvinyl chloride (PVC) sheeting, PVC leather and sponge leather, rigid PVC film, rigid PVC pipes, biaxially-oriented polypropylene (BOPP) film and related products. Nan Ya Plastics principally sells these products, which are known generally as secondary plastics, to tertiary plastics processors near Nan Ya Plastics' manufacturing plants. Nan Ya Plastics' production sites in the PRC focus primarily on the production of commodity plastics, such as rigid PVC film and flexible PVC sheeting, while Nan Ya Plastics' production sites in the ROC focus primarily on the production of new applications and high value-added products with unique features, such as thermoplastic polyurethane (TPU) leather for inflatable products and shoes, and metal-lined polyethylene terephthalate (PET) for solar window film.

Nan Ya Plastics' printed circuit board business includes the production of printed circuit boards and integrated circuit (IC) substrates by Nan Ya Printed Circuit Board Corporation (Nan Ya PCB).

As at 31 December 2014, Nan Ya Plastics alone employed 11,069 full time employees and operated 49 manufacturing plants and four co-generation plants in the ROC. In addition, Nan Ya Plastics also operated five manufacturing plants in the United States through its subsidiaries and 45 manufacturing plants in the PRC through subsidiaries and affiliates of its subsidiary, Nan Ya Plastics (Hong Kong) Corporation Limited. Nan Ya Plastics' registered office is No. 101, Shuiguan Rd., Kaohsiung, Taiwan, ROC.

Nan Ya Plastics was incorporated on 22 August 1958 as a company organized under the laws of the ROC. Nan Ya Plastics' common shares have been listed on the TWSE since 1967, and as at the date of this Offering Circular, Nan Ya Plastics' total market capitalization was NT$570.2 billion.

History

Certain key dates in the history of Nan Ya Plastics include:

1958	Nan Ya Plastics was established to be a downstream plastics manufacturer, using PVC resins produced by Formosa Plastics Corporation.
1968	Nan Ya Plastics expanded into the polyester business and started producing polyester chips and staple fibre.
1969	Nan Ya Plastics constructed its first polyester plant and later began to produce polyester filament.
1976	Nan Ya Plastics started to integrate horizontally and produce rigid PVC products, polyurethane leather and PVC leather.
1977	Nan Ya Plastics started designing and customizing its own manufacturing processes after accumulating the essential proprietary know-how in manufacturing polyester materials.
1984	Nan Ya Plastics expanded into the electronics material business and commenced the production of printed circuit boards and copper clad laminates. It also later produced the raw materials of printed circuit boards, glass fibre cloth and epoxy resin.
1987	Nan Ya Plastics started to integrate vertically and produce dioctyl phthalate (DOP) and other plasticizers, which are important raw materials for the production of PVC products.
1989	Nan Ya Plastics expanded its plastics business geographically and started producing flexible PVC sheeting in the United States through Nan Ya Plastics Corporation, America (NPCA). NPCAlater also produced PET film, polyester filament and stable fibre.

1990 .... Nan Ya Plastics established Nan Ya Plastics (Hong Kong) Corporation Limited which, through various subsidiaries and joint ventures, operate plants in the PRC for the production of PVC sheeting, PVC leather, rigid PVC film and rigid PVC pipes.

1994 .... NPCA began operating an EG manufacturing plant in Texas.

1995 .... Nan Ya Plastics established Nanya Technology for the production of DRAM products and other memory semiconductors.

1997 .... Nan Ya Plastics spun off the printed circuit board operation of Nan Ya Plastics' electronics business by establishing Nan Ya PCB. Nan Ya PCB's production facility in the ROC is one of the largest of its kind in the ROC and another production site is situated in Kunshan, the PRC.

1998 .... Nan Ya Plastics commenced the production of EG, a principal raw material in the production of polyester.

2000 .... Nan Ya Plastics began producing consumer electronics such as CDs and DVDs.

2008 .... Nan Ya Plastics commenced production of maleic anhydride (MA).

2010 .... Nan Ya Plastics commenced the production of plasticizer products in Ningbo, PRC.

2013 .... Nan Ya Plastics commenced the production of BOPP films, PVC films and polyurethane leather products in Vietnam.

Strategy

Nan Ya Plastics' goal is to produce the highest quality products in the most efficient manner by capitalizing on its commanding market share in secondary plastics and polyester fibre manufacturing, its ability to procure most of its raw materials internally or from its affiliates and its efficient manufacturing infrastructure. Nan Ya Plastics seeks to achieve this goal through the following means:

Pursue vertical integration

The cost of raw materials comprises a substantial portion of Nan Ya Plastics' operating costs. To lower its raw materials costs and achieve certain economies of scale, Nan Ya Plastics has been pursuing vertical integration both internally and with other companies affiliated with it and has in recent years placed particular emphasis on the expansion of the production of petrochemicals used as raw materials. Examples include the following:

- Nan Ya Plastics' petrochemical divisions produces MEG, which is one of the principal raw materials used in the production of polyester. Nan Ya Plastics operates four EG manufacturing plants in the No. 6 Naphtha Cracker Complex, three of them directly and one through its 50.0 per cent., owned subsidiary, Nan Chung, to support Nan Ya Plastics' polyester production in the ROC. Nan Ya Plastics' subsidiary, NPCA, operates an EG manufacturing plant in Texas in the United States, primarily in support of NPCA's polyester fibre plant in South Carolina, United States.

- Nan Ya Plastics also produces other specialty chemicals such as BPA and DEHP. The BPA produced is consumed by Nan Ya Plastics' electronics material division for the production of epoxy resin and by Nan Ya Plastics' plastics division for the production of engineering plastics. DEHP is consumed by Nan Ya Plastics' plastics division for the production of soft PVC products.

- The principal raw material used in the production of Nan Ya Plastics' plastics products is PVC resins. Nan Ya Plastics procures all of its PVC resins requirements from its affiliate Formosa Plastics Corporation, which operates PVC resins plants in Jen Wu, the ROC, and in the No. 6 Naphtha Cracker Complex.

- Nan Ya Plastics' electronics materials division produces copper clad laminates, glass fibre cloth and epoxy resin, some of which are consumed by Nan Ya PCB to produce printed circuit boards. Nan Ya Plastics believes that the vertical integration of its operations reduces its manufacturing costs, provides a more stable supply of key raw materials and gives it greater control over the quality of raw materials. Purchases from unaffiliated suppliers accounted for 49.2 per cent., 46.2 per cent., and 50.3 per cent., of its consolidated purchases of raw materials by value for the years ended 31 December 2012, 2013 and 2014, respectively.

Diversify product range

The markets in which Nan Ya Plastics operates are characterized by shifting demand. To stay competitive and maintain profitability, Nan Ya Plastics will continue to respond to the needs of its customers in a timely manner. Nan Ya Plastics has developed many new, higher margin products to capture market niches it has identified. Examples include the following:

- To avoid direct competition with low-end secondary plastics suppliers from the PRC, Nan Ya Plastics has introduced plastics products with new applications or special features, such as TPU leather for inflatable products and shoes.

- To avoid direct competition with manufacturers of low-priced commodity polyester materials, Nan Ya Plastics has introduced high value-added specialty polyester fibres, such as waterproof PET fibre, low-melting-point staple fibre, microfibre, fine denier multi-filament, recycled, high tenacity and extra low denier yarn.

- Nan Ya Plastics produces printed circuit boards and IC substrates through Nan Ya PCB, one of its consolidated subsidiaries. The demand for higher performance semiconductors in smaller packages is expected to spur the development of specialty printed circuit boards and advanced substrates that can support the advancement in circuit design and fabrication. Nan Ya PCB produces ultra-thin, high-density printed circuit boards and substrates, such as those composed of low dielectric constant, halogen-free materials, for use in wireless networks, notebook computers, automobiles and wireless communications devices.

Maintaining a diversified product line is essential to Nan Ya Plastics' growth and assists it in establishing long-term relationships with customers in high-growth markets. Nan Ya Plastics seeks to sell a broader range of products to its existing customers and to increase its sales of existing products in new markets.

Strengthen research and development capabilities

Nan Ya Plastics believes that research and development and technological innovation are key to its future success. Nan Ya Plastics' research and development efforts are principally directed toward developing technologies for the manufacture of advanced products and upstream materials.

Nan Ya Plastics has in recent years devoted more of its research and development spending to the development of specialty chemicals and electronics materials for high-end electronics products because it believes that these products will be more important to its future growth.

Improve manufacturing efficiency

To maintain its position as a low cost, high quality producer, Nan Ya Plastics plans to enhance its manufacturing efficiency by strengthening its administrative and control systems through the following initiatives:

- To continuously upgrade its management systems and make improvements in the automation of its manufacturing facilities with a view to improve productivity.

- A significant portion of Nan Ya Plastics' equipment and machinery is designed and made by its engineering division. These engineers are also responsible for the design and maintenance of Nan Ya Plastics' plants, equipment and machinery. Nan Ya Plastics believes that the delegation of these responsibilities to the same group of professionals improves manufacturing efficiency and accountability and lowers maintenance cost.

- Nan Ya Plastics has introduced a quality control program to monitor the quality of the production processes in its manufacturing plants.

Nan Ya Plastics believes that these efforts will enhance the flow of its manufacturing processes. Nan Ya Plastics' goal is to increase the level of integration of its hardware and software systems to allow it to further enhance production efficiency and lower costs.

Products

Nan Ya Plastics designs and produces products in the following principal categories: plastics products, petrochemical products, electronic materials and polyester products.

The following table sets forth, for the periods indicated, the contribution of each of Nan Ya Plastics' principal businesses to its consolidated operating revenue and the percentage each business contributes to Nan Ya Plastics' total consolidated operating revenue.

	Year ended 31 December						
	2012		2013		2014		
	NT$ (millions)	*%*	*NT$ (millions)*	*%*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
Petrochemical products	89,250.2	29.7	96,796.0	31.1	90,948.7	2,878.1	27.9
Electronic materials	83,844.6	27.9	85,193.6	27.4	100,284.6	3,173.6	30.8
Polyester products	72,534.0	24.1	73,674.9	23.7	66,997.4	2,120.2	20.6
Plastics products	48,933.4	16.3	49,244.7	15.8	50,270.4	1,590.8	15.4
Others(1)	6,148.3	2.0	6,096.1	2.0	16,972.0	537.1	5.3
Total	300,710.5	100.0	311,005.3	100.0	325,473.1	10,299.8	100.0

Note:

(1) "Others" include sales of plasticizers and manufacturing of machinery.

Petrochemicals

Nan Ya Plastics' principal petrochemical products are mono ethylene glycol (MEG), bisphenol-A (BPA) and Di-2-ethylexyl phthalate (DEHP), part of which is used internally for the production of Nan Ya Plastics' polyester products. Sales of petrochemical products accounted for 29.7 per cent., 31.1 per cent. and 27.9 per cent., of Nan Ya Plastics' consolidated operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth consolidated operating revenues generated from sales of each of Nan Ya Plastics' key petrochemical products and the percentage of total consolidated operating revenues from Nan Ya Plastics' petrochemical products represented by each such product for the periods indicated:

	Year ended 31 December						
	2012		2013		2014		
	NT$ (millions)	*%*	*NT$ (millions)*	*%*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
MEG	43,411.7	48.6	47,748.6	49.3	47,422.2	1,500.7	52.1
Bisphenol-A	12,364.8	13.9	13,598.0	14.1	13,689.9	433.2	15.1
DEHP	8,492.9	9.5	8,509.9	8.8	7,223.5	228.6	7.9
Others	24,980.8	28.0	26,939.5	27.8	22,613.1	715.6	24.9
Total	89,250.2	100.0	96,796.0	100.0	90,948.7	2,878.1	100.0

MEG. Mono ethylene glycol, commonly known as MEG, is the principal raw material used in the production of polyester. A portion of the MEG produced by Nan Ya Plastics is used as raw material in its production of polyester, and the remainder is sold to other polyester manufacturers. Polyester is widely used to make apparel, carpets and industrial products such as canvas, sacking, nautical rope and fishing nets.

Specialty Chemicals. Nan Ya Plastics also produces a variety of other raw materials, including bisphenol-A, 1.4BG, epoxidized soybean oil and hydrogen peroxide. A substantial portion of Nan Ya Plastics' bisphenol-A is used in the production of epoxy resin, which is used in the manufacturing of printed circuit boards, and of polycarbonate, which is used in the manufacturing of CDs. 1.4BG is a raw material for the production of polyurethane resins.

Plasticizers. Nan Ya Plastics also produces plasticizers, which are additives used principally in the production of PVC to produce flexible, soft plastics products. The most important plasticizer Nan Ya Plastics produces is Di-2-ethylexyl Phthalate, commonly known as DEHP, substantially all of which is consumed internally.

Electronics Materials

Nan Ya Plastics' principal electronics materials products are copper clad laminates, epoxy resin, glass fibre cloth and copper foil. Sales of electronics materials products accounted for 27.9 per cent., 27.4 per cent. and 30.8 per cent., of Nan Ya Plastics' consolidated operating revenue for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth consolidated operating revenue generated from sales of each of Nan Ya Plastics' key electronics materials products and the percentage of total consolidated operating revenue from Nan Ya Plastics' electronics materials products represented by each such product for the periods indicated:

	Year ended 31 December						
	2012		2013		2014		
	NT$ (millions)	*%*	*NT$ (millions)*	*%*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
Copper clad laminates and prepreg	18,865.8	22.5	19,132.0	22.5	23,065.4	729.9	23.0
Epoxy resin	16,605.0	19.8	18,491.4	21.7	21,182.9	670.4	21.1
Glass fibre cloth	4,633.3	5.5	4,632.3	5.4	5,094.4	161.2	5.1
Copper foil	2,846.9	3.4	3,714.3	4.4	8,219.7	260.1	8.2
PCB	29,726.1	35.5	32,348.5	38.0	34,965.4	1,106.5	34.9
Others	11,167.5	13.3	6,875.1	8.0	7,756.8	245.5	7.7
Total	83,844.6	100.0	85,193.6	100.0	100,284.6	3,173.6	100.0

Copper Clad Laminates and Prepreg. Copper clad laminates (CCL) are the base material used in the production of printed circuit boards. Prepreg is an intermediate product used to manufacture copper clad laminates and as an adhesive in the manufacture of multi-layer printed circuit boards. Nan Ya Plastics produces all major specifications of copper clad laminates and prepreg. Approximately 9.2 per cent., of Nan Ya Plastics' CCL production is sold to Nan Ya PCB for the production of printed circuit boards.

Epoxy Resin. Epoxy resin is a type of synthetic resin that is principally used as a paint and insulation material. Approximately half of the epoxy resin produced by Nan Ya Plastics is used internally to produce CCL while the other half is sold to customers.

Glass Fibre Cloth and Copper Foil. Glass fibre cloth and copper foil are principal components of copper clad laminates. A majority of the glass fibre cloth and copper foil produced by Nan Ya Plastics is consumed internally for the production of copper clad laminates.

Polyester Products

Nan Ya Plastics' principal polyester products are polyester filament, polyester staple fibre, polyester chip and polyester film. Sales of all polyester products accounted for 24.1 per cent., 23.7 per cent. and 20.6 per cent., of Nan Ya Plastics' consolidated operating revenue for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth the consolidated operating revenue generated from sales of each of Nan Ya Plastics' key polyester products and the percentage of total consolidated operating revenue from polyester products represented by each such product for the periods indicated:

	Year ended 31 December						
	2012		2013		2014		
	NT$ (millions)	%	*NT$ (millions)*	%	*NT$ (millions)*	*U.S.$ (millions)*	%
Polyester fibre	66,321.1	91.4	67,862.7	92.1	61,228.0	1,937.6	91.4
Polyester film	4,950.8	6.8	4,608.8	6.3	4,433.7	140.3	6.6
Polyester staple fibre	764.4	1.1	701.6	0.9	776.5	24.6	1.2
Others[(1)]	497.7	0.7	501.8	0.7	559.2	17.7	0.8
Total	72,534.0	100.0	73,674.9	100.0	66,997.4	2,120.2	100.0

Note:

(1) Others include specialty fibres such as conjugated staple fibres and "low-melting" staple fibres.

Polyester Staple Fibre. Polyester staple fibre is a generic commodity produced in various grades and lengths and has a wide range of applications in the textile industry, particularly for apparel and household fabrics where its physical similarities to natural fibres, such as cotton and wool, are important. Polyester staple fibre can be spun into fabric on its own or blended with cotton, wool or flax to produce textiles. Nan Ya Plastics' polyester staple fibre also has a range of nontextile applications such as in the manufacture of carpet pile.

Polyester Film. Nan Ya Plastics produces polyester film for a variety of applications. Because of its tensile strength, electrical non-conductivity, transparency, heat resistance and other characteristics, polyester film manufactured by Nan Ya Plastics is used by its customers in the production of food packaging, LCD balk light, flexible PC board, solar film and hologram.

Polyester Filament. Nan Ya Plastics develops polyester filament with full denier range and various functions, including POY, FDY, DTY, FOY, HOY and industry yarn. Polyester filament manufactured by Nan Ya Plastics are supplied to companies of international brands for garment, upholstery, car sheet and industrial use.

Polyester Chips. Polyester chips are the major raw materials for manufacturing polyester staplefibre, polyester film, polyester filament, polyester bottle and sheet. Polyester bottle chips manufactured by Nan Ya Plastics are of high clarity, low acetaldehyde and cyclic oligomer, which are essential for downstream applications. Polyester bottle chips manufactured by Nan Ya Plastics are in compliance with domestic and international regulations and are supplied to international brands in the beverage and food industry.

Other Polyester Products. Nan Ya Plastics focuses on the development and production of a variety of high-quality specialty fibres. Polyester specialty fibre is used in the manufacture of toys, upholstery, sleeping bags, sport shoes, diapers and insulation material for construction. Its most important types of polyester specialty fibre are conjugated staple fibre, which is used as filler, and "low-melting" staple fibre (so-called because it melts at a low temperature), which is used to make non-woven fabrics and diapers.

Plastics Products

Nan Ya Plastics' principal plastics products are flexible PVC sheeting, PVC leather and sponge leather, rigid PVC film, rigid PVC pipes, and BOPP film and related products. Sales of all plastics products accounted for 16.3 per cent., 15.8 per cent. and 15.4 per cent., of Nan Ya Plastics' consolidated operating revenue for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth consolidated operating revenue generated from sales of each of Nan Ya Plastics' key plastics products and the percentage of total consolidated operating revenue from plastics products represented by each such product for the periods indicated:

	Year ended 31 December						
	2012		2013		2014		
	NT$ (millions)	%	*NT$ (millions)*	%	*NT$ (millions)*	*U.S.$ (millions)*	%
Rigid PVC film	9,792.0	20.0	8,844.0	18.0	9,092.4	287.7	18.1
Flexible PVC	9,102.9	18.6	9,144.0	18.6	9,268.7	293.3	18.4
BOPP	4,276.2	8.7	3,735.9	7.6	3,942.5	124.8	7.8
PVC Pipes	5,671.2	11.6	6,079.8	12.3	6,229.3	197.1	12.4
Polyurethane leather	3,215.7	6.6	3,284.2	6.7	3,449.9	109.2	6.9
Others(1)	16,875.4	34.5	18,156.8	36.8	18,287.6	578.7	36.4
Total	48,933.4	100.0	49,244.7	100.0	50,270.4	1,590.8	100.0

Note:

(1) "Others" include other types of rigid film, engineering plastics and a wide variety of plastics products such as PVC casting leather, PVC window and door frames.

Nan Ya Plastics also produces a material portion of its plastics products through operating subsidiaries and investee companies in the PRC. These products include principally rigid PVC pipes and sheeting, flexible PVC sheeting and polyurethane leather. Nan Ya Plastics holds its interests in these subsidiaries and investee companies through Nan Ya Plastics (Hong Kong) Corporation Limited, its wholly-owned subsidiary.

Most of Nan Ya Plastics' plastics products are produced using resins composed of polyvinyl chloride, commonly known as PVC. To address the requirements of Nan Ya Plastics' environmentally conscious customers, Nan Ya Plastics uses ethylene vinyl acetate, commonly known as EVA, as a substitute for PVC resins in the production of some of Nan Ya Plastics' sheeting products with limited applications. Nan Ya Plastics also uses polypropylene and a small amount of polystyrene as substitutes for PVC resins in the production of some of Nan Ya Plastics' rigid film products, such as synthetic paper in writing, printing and packing. Although these substitutes are currently more expensive than PVC resins, Nan Ya Plastics believes that the use of these substitutes will enhance marketability in selected markets because plastics products produced from these raw materials are easier to dispose of in an environmentally safe manner.

Rigid PVC Film. Rigid PVC film is a high tensile, chemically resistant material used to manufacture packaging materials, decorative items and construction materials. Nan Ya Plastics makes both clear and opaque rigid PVC film in a variety of colors. Rigid PVC film can be readily modified for the manufacture of anti-static, UV-resistant, high impact materials with a variety of applications. It may be used in vacuum-formed packaging for food, toys, tools and other items, metallic film for Christmas tree leaves, tinsel and ornaments, folding-formed packaging for products such as cosmetics, toothbrushes and umbrellas, and floor tiles.

Flexible PVC Sheeting. Nan Ya Plastics produces a wide variety of flexible PVC sheeting for many end-user applications. Due to its versatility of form and function, flexible PVC sheeting has many applications in consumer products, household products and construction materials. The major end products produced from PVC sheeting are inflatable products, rainwear, shower curtains, tablecloths, wall coverings, window shades and adhesive tape. Nan Ya Plastics intends to increase its production of specialized, higher quality sheet products and to further upgrade and integrate its processes and equipment to reduce production costs. Nan Ya Plastics also seeks to develop environmentally safer sheeting products using EVA as a substitute for PVC resins in certain limited applications.

BOPP Film and Related Products. Biaxially oriented polypropylene ("BOPP") film is principally used in the packaging industry. Its applications include wrapping for cigarette packs, food and stationery.

Rigid PVC Pipes. Because PVC is resistant to acids, bases and corrosion, is lightweight and has a high mechanical strength and smooth finish, the material is widely used to manufacture construction materials. Demand for rigid PVC pipes is generally tied to infrastructure development and construction activity. Because they are bulky and freight costs are high, rigid PVC pipes and fittings are not particularly suitable for export sales in large quantities. In order to supply the growing infrastructure and construction demands in the PRC, Nan Ya Plastics plans to expand its production capacity for rigid PVC pipes in the PRC.

Polyurethane Leather. Nan Ya Plastics produces wet and dry polyurethane leather for a broad range of applications. In appearance and feel, polyurethane leather resembles, but is generally less expensive than, natural leather. It is air permeable and can be manufactured in a wide variety of colors and grains. Wet polyurethane leather is manufactured using a newer process than the process used for dry polyurethane leather and is more air permeable, making it suitable for such applications as the manufacture of name-brand sports shoes. The principal end product produced from polyurethane leather is shoes. Other important end products are handbags, gloves, furniture, decorative materials and sporting goods. Nan Ya Plastics' focus in this segment has been gradually shifted to wet polyurethane leather products, including microfibre polyurethane leather, which are more like natural leather and are considered higher value-added products than dry polyurethane leather.

Others. Nan Ya Plastics' other plastics products include the following:

- *Other Types of Rigid Film*. Nan Ya Plastics also produces other kinds of rigid film such as polypropylene film and A-polyethylene terephthalate, commonly known as A-PET film. Polypropylene film is oil-, heat– and crease-resistant and is suitable for printing. Polypropylene film also has certain environmental advantages compared to PVC rigid film. Its applications include packing material for food and medicine, file folders and covers for office products. A-PET film is a type of polyester film. It is more expensive than rigid PVC film but the end product is attractive for environmental reasons. Nan Ya Plastics also produces metallic film using a portion of the PVC film and PET film it produces.

- *Engineering Plastics*. Engineering plastics are used as substitutes for glass and metal found typically in the components of motorcycles, automobiles and sporting goods.

In addition to the above, Nan Ya Plastics makes a wide variety of other plastic products, such as PVC casting leather, cast polypropylene (CPP) film, polyethylene film, PVC plate, floor tiles, furniture, wall panels, PVC sponge sheeting and sheet molding. Nan Ya Plastics also manufactures PVC window and door frames and doors from sheet molding compound, which are known as SMC doors.

Printed Circuit Board Products

Nan Ya Plastics operates its printed circuit board business through its subsidiary Nan Ya PCB. Sales of printed circuit board products accounted for 9.6 per cent., 10.2 per cent. and 10.5 per cent., of Nan Ya Plastics' consolidated operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. The principal products of Nan Ya PCB are printed circuit boards and substrates for integrated chips, or IC substrates. The following table sets forth the consolidated sales revenues of each of Nan Ya PCB's key products and the percentage of consolidated operating revenues of Nan Ya PCB represented by each such product for the periods indicated:

	Year ended 31 December						
	2012		2013		2014		
	NT$ (millions)	*%*	*NT$ (millions)*	*%*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
Printed circuit boards	28,912.0	97.3	31,607.4	97.7	34,243.5	1,083.7	97.9
Others	811.1	2.7	741.1	2.3	721.9	22.8	2.1
Total	29,723.1	100.0	32,348.5	100.0	34,965.4	1,106.5	100.0

Printed Circuit Boards. Sales of printed circuit boards accounted for 97.3 per cent., 97.7 per cent. and 97.9 per cent. of Nan Ya PCB's operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. Printed circuit boards, commonly known as PCBs, are the basic platforms used to interconnect electronic components and can be found in virtually all electronic products, including consumer electronic products, computers and automotive, telecommunications, industrial, medical, military and aerospace equipment. Printed circuit boards consist of metallic interconnecting paths on a non-conductive material, typically laminated epoxy glass.

Others

Manufacturing of Machinery. Nan Ya Plastics also produces rollers, moulding or extrusion devices and factory machinery, including electro-mechanical switchgears and control panels. Nan Ya Plastics sells a portion of the machinery it produces to its affiliates, and uses the remainder internally.

Operating Divisions

Nan Ya Plastics' plastics, petrochemical and electronics materials polyester businesses in the ROC are managed by nine operating divisions, and each of these divisions focuses on a particular product or group of products (with the exception of one division which makes products in both the plastics and electronics categories). The following table sets forth the principal products of each of Nan Ya Plastics' product categories and the typical applications of such products, as well as the divisions responsible for the manufacture of such products:

Product Category	**Division**	**Main Products/ Business**	**Typical Applications**
Plastics Products......	Plastics 1	PVC sheeting	Inflatable products, rainwear, shower curtains, tablecloths, adhesive tape
		Rigid PVC film, polypropylene film and A-PET film	Vacuum-forming food packaging, stationery, Christmas tree leaves, floppy disk jackets
		Polyurethane leather	Shoes, handbags, gloves, furniture, sporting goods
	Plastics 2	PVC window and door frames and SMC doors	Construction
	Plastics 3	Rigid PVC pipes and fittings	Pipes for water and electric wiring
		BOPP film and related products	Wrapping materials and stationery
		Extruded and injected products	Decorative and construction materials
		Vinyl tiles	Tiles for construction purposes
		Engineering plastics	Automobile parts, electronic components

Product Category	Division	Main Products/ Business	Typical Applications
Petrochemical Products	Petrochemical 1	DEHP and other plasticizers	Additives principally used in the production of flexible, soft PVC products
		PA and 2-EH	DEHP
		Isononyl alcohol (INA)	Diisononyl phthalate, diisononyl adipate
		Chlorinated polyethylene	ABS flame retardants, PVC impact modifies, cable and wire PVC shielding
		Antioxidants	ABS anti-oxidation agent, PE anti-oxidation agent
	Petrochemical 2	Bisphenol-A	Epoxy resin and polycarbonates
		1.4BG	Raw materials for the manufacturing of polyurethane resin
		Epoxidized soybean oil	PVC stabilizer
		Hydrogen peroxide	Epoxidized soybean oil
	Petrochemical 3	MEG	Polyester
Electronics Products	Electronic Materials	Copper clad laminates and prepreg	Intermediate products used in making printed circuit boards
		Glass fibre cloth and copper foil	Raw materials used in making copper clad laminates
		Liquid crystal displays (STN-LCD), touchscreens	Information systems
		Epoxy resin	Paint and insulation material
Polyester Products ...	Polyester Fibres	Polyester filaments	Fabrics and knits, thread
		Polyester staple fibre and specialty fibre	Cloth, stuffing for toys
		Polyester chips	Filament, windshields, bottles, brushes
		Polyester film	Food packaging, LCD back light, flexible PC board, solar film, hologram
		Film photoresist (wet and dry)	Flip chip, PCB, LCD

Product Category	Division	Main Products/ Business	Typical Applications
Other Products and Services	Engineering	Rollers, moulding tools, factory machines	Rolling and moulding equipment, production machinery
		Switchgears	High voltage and low voltage switchgears and control panels

Overseas Operations

Nan Ya Plastics conducts its overseas operations through direct and indirect subsidiaries and joint ventures. Nan Ya Plastics' operations in the PRC are conducted through joint ventures and subsidiaries of Nan Ya Plastics (Hong Kong) Corporation Limited, and Nan Ya Plastics' operations in the United States are conducted principally through NPCA. Notwithstanding the foregoing, with the exception of plants operated by joint ventures in which Nan Ya Plastics has a minority interest only, Nan Ya Plastics' manufacturing plants overseas also report regularly to their corresponding divisions in the ROC and adhere to similar management principles and production techniques adopted by Nan Ya Plastics' manufacturing plants in the ROC. Management staff from Nan Ya Plastics' Taiwanese headquarters are seconded to these subsidiaries and joint ventures to assist the operation of Nan Ya Plastics' manufacturing plants overseas. Sales orders are coordinated by the corresponding divisions in the ROC. Nan Ya Plastics' goal is to maintain similar operating procedures for all of Nan Ya Plastics' manufacturing plants.

Manner of Sale

Most of Nan Ya Plastics' products are sold through independent distributors. In other instances, they are sold to Nan Ya Plastics' principal customers directly by the relevant division. In accordance with industry practice, Nan Ya Plastics sells substantially all of its products on a purchase order basis. For products that have a significant lead time, Nan Ya Plastics typically receives from its principal customers non-binding rolling forecasts of the quantities of products to be ordered up to six months in advance.

Raw Materials

Supply and Consumption

Raw Materials sourced within and outside the Formosa Group. Cost of raw materials constituted 72.3 per cent., 72.5 per cent. and 70.5 per cent. of Nan Ya Plastics' consolidated operating costs for the years ended 31 December 2012, 2013 and 2014, respectively. Some of these raw materials were purchased from Nan Ya Plastics' affiliates, and all such purchases were made on an arm's length basis at market prices. Such purchases, like Nan Ya Plastics' other transactions with its affiliates, are conducted on terms that are substantially the same as those for comparable transactions with non-affiliates. Purchases from unaffiliated suppliers accounted for 49.2 per cent., 46.2 per cent. and 50.3 per cent. of Nan Ya Plastics' consolidated purchases of raw materials by value for the years ended 31 December 2012, 2013 and 2014, respectively. The table below sets forth certain information regarding the principal raw materials that Nan Ya Plastics sources from other entities, including other members of the Formosa Group.

Raw Materials	Principal Use	Principal Supplier
Ethylene	MEG	Formosa Petrochemical
Pure terephthalic acid ("PTA")	Polyester products	Formosa Chemicals & Fibre
PVC resins	All plastics products	Formosa Plastics

Raw Materials	Principal Use	Principal Supplier
Glass fibre	Glass fibre cloth	PFG Fibre Glass
Epichlorohydrin ("ECH")	Epoxy Resin, Electronics materials products	Formosa Plastics

Raw Materials produced internally. As part of Nan Ya Plastics' vertical integration strategy, Nan Ya Plastics' petrochemicals division produces a series of petrochemical products in the No. 6 Naphtha Cracker Complex for use in the production of its own plastics products. The following table sets forth certain information regarding the principal raw materials that Nan Ya Plastics produces internally.

Raw Materials Produced Internally	Principal Use	Division responsible
2-ethyl hexanol ("2-EH")	DEHP	Petrochemicals divisions
Phthalic anhydride ("PA")	DEHP	Petrochemicals divisions
Mono ethylene glycol ("MEG")	Polyester	Petrochemicals division
Specialty petrochemicals[(1)]	All plastic products	Petrochemicals divisions
Epoxy resin	Copper clad laminates	Electronics materials division
Plasticizers[(2)]	All plastic products	Petrochemicals divisions

Notes:

(1) Includes principally bisphenol-A, 1.4BG, epoxidized soybean oil and hydrogen peroxide.

(2) Includes principally DEHP.

Principal Raw Materials consumed. Nan Ya Plastics' principal raw materials are PVC resins, PTA, EG and glass fibre. The following table sets forth, for the periods indicated, the amount of PTA, PVC resins, MEG and glass fibre consumed by Nan Ya Plastics:

	Year ended 31 December		
	2012	2013	2014
PVC resins			
Amount consumed	350,669	343,673	337,761
PTA			
Amount consumed	1,055,291	1,086,181	1,031,650
MEG			
Amount consumed	576,421	605,545	572,354
Glass fibre			
Amount consumed	89,207	96,420	118,516

Properties and Facilities

Nan Ya Plastics operates 49 manufacturing plants and four co-generation power plants in the ROC. Nan Ya Plastics also operated five manufacturing plants in the United States through its subsidiaries and 45 manufacturing plants in the PRC through subsidiaries and affiliates of its subsidiary Nan Ya Plastics (Hong Kong) Corporation (NYPC HK). In addition, Nan Ya Plastics operates one manufacturing plant in Indonesia and two manufacturing plants in Vietnam through its interests in local joint ventures. In addition to manufacturing plants used for the production of plastics, polyester, electronics materials and printed circuit boards, Nan Ya Plastics also has plants for the production of engineering and machinery products, doors and windows, and plasticizers.

With the exception of one production site in Kaohsiung, the ROC, and all of its production sites in the PRC, Nan Ya Plastics owns all of the land on which Nan Ya Plastics' production facilities are located. Nan Ya Plastics owns all of its manufacturing plants, properties and equipment in all of its production sites and has its own maintenance crew for each site.

Nan Ya Plastics' engineering division produces much of the standard automation equipment used by it, including rollers, molding tools, factory machines and switchgears. This arrangement allows it to control the supply and quality of such equipment and machinery. Each of Nan Ya Plastics' manufacturing plants has a maintenance department, which regularly checks equipment and makes standard repairs. Nan Ya Plastics also has a centralized maintenance group located and with operations limited to the No. 6 Naphtha Cracker Complex, which assists each of the divisions on larger or more difficult repair jobs.

The following table shows Nan Ya Plastics' estimated annual production capacity as at 31 December 2014, in the ROC, the United States and the PRC for each of its principal products:

	Estimated Annual Production Capacity(1)		
Principal Products	**ROC**	**PRC**	**U.S.**
Petrochemicals			
MEG	1,620,000 tons	–	396,000 tons
Bisphenol-A	455,000 tons	150,000 tons	–
DEHP	350,000 tons	100,000 tons	–
1.4 BG	100,000 tons	–	–
ESO	20,000 tons	–	–
Hydrogen peroxide	20,000 tons	–	–
Electronics Material			
Copper clad laminates	3,000,000 sheets	49,200,000 sheets	–
Epoxy resin	220,000 tons	240,966 tons	–
Copper foil	28,800 tons	55,200 tons	–
Glass fibre cloth	276,000,000 meters	336,000,000 meters	–
Polyester Products			
Polyester	714,000 tons	216,000 tons	108,000 tons
Plastics Products			
Flexible PVC sheeting	119,000 tons	128,400 tons	50,400 tons
PVC leather	–	54,000 tons	–
PVC pipes	175,000 tons	225,420 tons	–
BOPP film	57,600 tons	24,000 tons	–
Engineering plastics	24,000 tons	14,400 tons	–
Polyurethane leather	10,800,000 yards	28,800,000 yards	–
Rigid PVC film	48,000 tons	134,400 tons	88,800 tons
Other Products			
Printed circuit boards and IC substrates	5,744,000 sq. ft	23,820,000 sq. ft	–

Note:

(1) Estimates based on specifications provided by suppliers of different equipment used in the facilities' production lines, estimates of yield rates for different machinery and equipment, product mix, estimates of how long the equipment may be operated without interruption, and other factors. Actual production capacity may differ from estimated production capacity.

Competition

Nan Ya Plastics competes on the basis of price and also on quality, speed of delivery, the ability to meet varied product specifications and the ability to supply quantities ordered. Nan Ya Plastics' businesses are principally regional in scope, with the exception of printed circuit boards and copper clad laminates, which are global businesses. The following table sets forth the principal competitors for each of the sectors in which Nan Ya Plastics competes:

Product Sector	Principal Geographical Markets	Principal Competitors
Petrochemicals		
MEG	ROC, PRC	Sabic, ME Global
Bisphenol A	ROC, PRC	Bayer, GE
DEHP	ROC, PRC	Exxon Mobil, BASF
Electronics		
Copper clad laminates	Worldwide	King Board, Isola
Printed circuit boards	Worldwide	Uni Micron, Shinko, Semco, Ibiden
Polyester		
Polyester staple fibre	United States	DAK and Invista
	ROC	Tainan Spinning Corp., Far Eastern Textile Ltd. and Shinkong
Polyester filament	ROC	Hualon Teijran Corp., Far Eastern Textile Ltd. and Tuntex Distinct Corp.
Polyester film	ROC	Shinkong
Plastics		
Flexible PVC sheeting and PVC leather	ROC, PRC	China General
PVC rigid film	ROC, PRC	Ocean, China General
Rigid PVC pipes and fittings	ROC, PRC	Ocean, China General
Polyurethane leather	ROC, PRC	San Fung

Research and Development

Nan Ya Plastics has a research and development center with 322 staff members as at 31 December 2014. In addition, each of Nan Ya Plastics' operating divisions has its own smaller research and development department. Nan Ya Plastics' research and development efforts are primarily devoted to the development and enhancement of process technologies used in Nan Ya Plastics' manufacturing plants, the design and development of opto-electronic and electronic products, research relating to pollutants, specialty petrochemicals and polymers, and advice to manufacturing plants on cost reduction, quality improvement and pollution control.

General Administrative Office of the Formosa Group

As a member of the Formosa Group, Nan Ya Plastics shares in the expenses of the Formosa Group's General Administrative Office, or GAO. The GAO maintains facilities and personnel for the performance of some financing, stock transfer and other administrative functions and procurements on a pooled basis for members of the Formosa Group. Each Formosa Group company contributes a small sum towards the expenses and administrative costs of the GAO.

Employees

Workforce and Compensation

Nan Ya Plastics had 11,069 employees as at 31 December 2014. The average employment period of Nan Ya Plastics' employees in the ROC as at 31 December 2014 was 21 years and the average age was 46.

The majority of these employees belonged to unions. To maintain good relations with its workforce, Nan Ya Plastics' management gives serious consideration to the views of the unions and frequently consults with the unions concerning such matters as the workers' needs and the direction of Nan Ya Plastics. Nan Ya Plastics has not experienced any strikes in the past and believes that management maintains a good relationship with its employees.

Nan Ya Plastics has permission from the ROC government to invite foreign workers into the ROC. As at 31 December 2014, Nan Ya Plastics employed 118 foreign workers.

Direct labor costs made up 4.30 per cent., 4.49 per cent. and 4.54 per cent. of Nan Ya Plastics' total consolidated operating costs for the years ended 31 December 2012, 2013 and 2014, respectively. Wage levels have increased in the ROC in recent years such that the ROC is no longer considered a low-wage manufacturing base. Many of Nan Ya Plastics' workers are highly skilled and Nan Ya Plastics seeks to achieve the appropriate balance between automation of Nan Ya Plastics' factories and the use of skilled employees to monitor the production processes.

Training and Career Development

Nan Ya Plastics believes strongly in the professional development of its employees and maintains a training center for conducting seminars. Nan Ya Plastics offers regular training to all of its employees. There are three major types of training programs, all of which run for approximately one week. The first type seeks to teach new employees the skills necessary to perform their duties and introduce to them the company rules and corporate culture. The second type seeks to educate employees who have been recently promoted about their new responsibilities. The third type focuses on management skills and is given to all employees who are at management level.

Environmental and Other Regulatory Matters

Nan Ya Plastics is subject to regulation by the Environmental Protection Administration Executive Yuan ROC (Taiwan). In the ROC, the county and city environmental protection bureaus in each county or city where Nan Ya Plastics conducts manufacturing operations are responsible for the enforcement of environmental laws applicable to Nan Ya Plastics' operations there. In addition, Nan Ya Plastics' operations in the PRC, Vietnam, the United States and Indonesia are subject to regulation by the environmental authorities in those countries.

The principal environmental concerns in Nan Ya Plastics' production of plastics products are wastewater and air emissions from certain chemicals used in the production process. The main environmental concern in Nan Ya Plastics' production of polyester products is organic compounds contained in the wastewater resulting from the production process for polyester fibre. The principal environmental concern in Nan Ya Plastics' production of PCB products is heavy metals in wastewater.

Nan Ya Plastics is committed to maintaining appropriate environmental controls in all of its manufacturing facilities and is seeking through research and development efforts to develop more efficient manufacturing processes that generate less waste and emissions. Nan Ya Plastics has also established an Environmental Engineering Center whose tasks include environmental impact assessment, engineering, surveying and monitoring, and data control to ensure a fully integrated approach to environmental protection efforts. The Environmental Engineering Center also performs environmental services for other members of the Formosa Group, and in this regard is operated as a separate profit center. It is responsible for all environmental planning for the No. 6 Naphtha Cracker Complex. The Environment, Safety and Health Office has 361 employees as at 31 December 2014.

Nan Ya Plastics' principal environmental protection facilities consist of wastewater treatment facilities, incinerators, electrostatic precipitators and flue gas desulphurization equipment. Nan Ya Plastics believes that it is in compliance with all material environmental regulations, although there can be no assurance that the relevant regulatory authorities will not impose new, stricter regulations which would require additional expenditures on environmental protection.

Legal Proceedings

As at the date of this Offering Circular, Nan Ya Plastics is not involved in any material litigation or proceedings.

Subsidiaries and Investee Companies

The following table sets forth certain information as at 31 December 2014 regarding Nan Ya Plastics' principal subsidiaries and investee companies:

Name	Registered Office	Book Value of Nan Ya Plastics' Investment (NT$ million)	Percentage Interest Held by Nan Ya Plastics[1]	Principal Business
Nan Ya Plastics Corporation, USA	9 Peach Tree Hill Road, Livingston, NJ 07039 U.S.A.	1,316.5	100.0%	Production of plastic products
Nan Ya Plastics Corporation, America	9 Peach Tree Hill Road, Livingston, NJ 07039 U.S.A.	29,245.4	100.0%	Production of plastic, polyester and chemical products
Nan Ya Plastics (Hong Kong) Corporation Limited	Citicorp Centre 7F, No. 18, Whitfield Road, Causeway Bay, Hong Kong	72,904.5	100.0%	Plastics trading, investment holding
Nan Ya Printed Circuit Board Corporation	3F, 201-36 Tung Hwa North Road, Taipei, Taiwan, ROC	25,675.8	67.0%	Production of printed circuit board
PFG Fibre Glass Corporation	2-1, Chung Yang Industrial Park, Shing Kang, Chia Yi Hsien, Taiwan, ROC	852.4	50.0%	Production of glass fibre
Nan Chung Petrochemical Corporation	2-1, Formosa Plastics Group Industrial Zone, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	1,549.1	50.0%	Production of chemical products
PFG Fibre Glass (Hong Kong) Co. Limited	Citicorp Center 7F, No. 18, Whitfield Road, Causeway Bay, Hong Kong	3,513.3	50.0%	Production of glass fibre
Nanya Technology Corporation	Hwa Ya Technology Park, 669 Fuhsing 3 Rd., Kueishan, Taoyuan, Taiwan, ROC	15,404.5	37.7%	Semiconductor trading
Formosa Industries Corporation	Nhon Trach 3 Industrial Zone, Dong Nai Provinice, Vietnam	8,413.8	42.5%	Chemicals trading

Name	Registered Office	Book Value of Nan Ya Plastics' Investment (NT$ million)	Percentage Interest Held by Nan Ya Plastics(1)	Principal Business
Formosa Heavy Industries Corporation	4F, 201-20 Tung Hwa North Road, Taipei, Taiwan, ROC	8,075.7	32.9%	Machinery
Formosa Petrochemical................	1-1, Formosa Plastics Group Industrial Zones, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	55,883.5	23.3%	Production of chemical products
Su-Hua Transport Corporation......	42, Biaofu Road, Mialiao Shiang, Yunlin Hsien, Taiwan, ROC	180.1	25.0%	Transportation
Mailiao Power Corporation..........	1-1 Formosa Plastics Group Industrial Zone, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	11,428.0	24.9%	Electricity generator

Note:

(1) Only in respect of interest directly held by Nan Ya Plastics.

Nan Ya Plastics Corporation, America ("NPCA") engages in the production of plastic, polyester and chemical products. As at 31 December 2014, the company had an issued share capital of U.S.$300 million. Nan Ya Plastics did not receive any dividends from NPCA for the year ended 31 December 2014. As at 31 December 2014, NPCA did not owe any debt to Nan Ya Plastics. Nan Ya Plastics did not provide any guarantee for NPCA for the year ended 31 December 2014. For the year ended 31 December 2014, NPCA made a net income of NT$2,886.1 million.

Nan Ya Plastics (Hong Kong) Corporation Limited ("NYPC HK") engages in the trading of plastic products and is also an investment holding company.

Nan Ya Printed Circuit Board Corporation ("Nan Ya PCB") engages in the production of printed circuit boards. As at 31 December 2014, the company had an issued share capital of NT$6,461.7 million. Nan Ya Plastics did not receive any dividends from Nan Ya PCB for the year ended 31 December 2014. As at 31 December 2014, Nan Ya PCB did not owe any debt to Nan Ya Plastics. Nan Ya Plastics did not provide any guarantee for Nan Ya PCB for the year ended 31 December 2014. For the year ended 31 December 2014, Nan Ya PCB made a consolidated net income of NT$1,614.8 million.

Nan Chung Petrochemical Corporation ("Nan Chung") engages in the production of chemical products. As at 31 December 2014, the company had an issued share capital of NT$2,000.0 million. Nan Ya Plastics received dividends of NT$37.2 million from Nan Chung for the year ended 31 December 2014. Nan Ya Plastics did not provide any guarantee for Nan Chung for the year ended 31 December 2014. For the year ended 31 December 2014, Nan Chung made a net income of NT$958.8 million.

Nan Ya Plastics' equity interests in all of the subsidiaries and investee companies listed above have been paid in full.

MANAGEMENT OF NAN YA PLASTICS

Directors and Supervisors

The ROC Company Law and the Articles of Incorporation of Nan Ya Plastics provide that the Board of Directors is to be elected by the shareholders of Nan Ya Plastics for three-year terms in a shareholders' meeting at which a quorum, consisting of a majority of all issued and outstanding shares, is present. The Chairman is a Director elected by the Board. The fifteen member Board of Directors of Nan Ya Plastics is responsible for the management of the business of Nan Ya Plastics.

Nan Ya Plastics currently has three Supervisors. Supervisors are typically elected at the time that Directors are elected. The Supervisors' duties and powers include, but are not limited to, investigation of Nan Ya Plastics' condition, inspection of Nan Ya Plastics' corporate records, attending meetings of the Board of Directors, verification of some statements by the Board of Directors prior to the shareholders' meetings, calling of shareholders' meetings, representing Nan Ya Plastics in negotiations with its Directors and notification, when appropriate, to the Board of Directors to cease acting in contravention of any applicable law or regulation or in contravention of its Articles of Incorporation or resolutions of shareholders' meetings. In accordance with the laws of the ROC relating to corporations, a Supervisor cannot concurrently serve as a Director, managerial officer or other staff member. The ROC Company Law requires at least one Supervisor be appointed at all times.

The term of office for the Directors and Supervisors is three years from the date of election. They may serve any number of consecutive terms and may be removed from office at any time by a resolution adopted at a shareholders' meeting. A Director or Supervisor being removed without a reason may claim for damages from Nan Ya Plastics.

Of the current Directors and Supervisors, Wilfred Wang was elected in his capacity as a representative of Formosa Petrochemical Corporation, Shen-Yi Lee was elected in his capacity as a representative of Formosa Chemicals & Fibre, Chen-Ching Fu was elected in his capacity as a representative of Formosa Plastics, Ching-Cheng Chang was elected in his capacity as a representative of Freedom International Enterprise Company A Director or Supervisor who serves as a representative of a legal entity may be removed or replaced at any time at the discretion of that legal entity, and the replacement Director or Supervisor may serve the remainder of the term of the office of the replaced Director or Supervisor.

The following table sets forth certain information relating to the Directors and Supervisors of Nan Ya Plastics for the month of December 2014.

Name	Position	Number of Shares Held Directly(1)	Number of Shares Held Through Spouse and Minor Children(2)
Chia-Chau Wu	Chairman	79,030	55,939
William Wong	Executive Director	628,829	310,457
Wilfred Wang(3)	Executive Director	180,020,544	–
Ruey-Yu Wang	Executive Director	19,052,421	–
Chih-Kang Wang	Independent Director	–	–
Yung-San Lee	Independent Director	–	–
Yun-Peng Chu	Independent Director	1,199	–
Shen-Yi Lee(4)	Director	413,327,750	26,509
Ching-Cheng Chang(5)	Director	4,851,461	–
Chin-Jen Wu	Director	67,413	–
Zo-Chun Jen	Director	303,377	167,852
Fong-Chin Lin	Director	25,458	12,404

Name	Position	Number of Shares Held Directly[1]	Number of Shares Held Through Spouse and Minor Children[2]
Ming-Jen Tzou................	Director	188,742	–
Kuei-Yung Wang.............	Director	11,613,271	3,068,086
Yuan-Shan Liu	Director	52,645	20,693
Chen-Ching Fu[6]	Supervisor	783,464,855	–
Te-Yao Chen	Supervisor	293	40
Cheng-Hsiao Lei	Supervisor	–	–

Notes:

(1) In the case of a Director who is also a representative of a legal entity, the number in this column includes both the number of Shares held by the corporate shareholder and the Director in his/her individual capacity.

(2) Applies to a Director or Supervisor serving in his or her individual capacity only.

(3) Representative of Formosa Petrochemical Corporation.

(4) Representative of Formosa Chemicals & Fibre Corporation.

(5) Representative of Freedom International Enterprise Company.

(6) Representative of Formosa Plastics Corporation.

Set forth below is a short biography of each of the Directors and Supervisors, all of whom were elected for their present term on 24 June 2013.

Chia-Chau Wu is the Chairman of the Board of Directors. He is also the President of Nan Ya Plastics Corp. and the Chairman of Nanya Technology Corp. He graduated from National Chengchi University.

William Wong is an Executive Director. For his biography, please refer to "Description of Formosa Plastics – Management of Formosa Plastics".

Wilfred Wang is an Executive Director. For his biography, please refer to "Description of Formosa Plastics – Management of Formosa Plastics".

Ruey-Yu Wang is an Executive Director. She is also the Chairman of Formosa Biomedical Technology Corp and an Executive Director of Formosa Chemicals & Fibre. She holds a master's degree from National Taiwan University.

Chih-Kang Wang is an Independent Director. He is also the Chairman of CTBC Venture Capital Co., Ltd. and an Independent Director of Formosa Sumco Technology Corp., and Taihin Financial Holding Co., Ltd. He holds a doctorate degree from Texas A&M University, USA.

Yung-San Lee is an Independent Director. He is also a Director of eMemory Technology Inc. and the Chairman of Durtron Education Foundation and Independent Director of Goldsun Development & Construction Co. Ltd.. He holds a doctorate degree from the University of Wisconsin, Madison, USA.

Yun-Peng Chu is an Independent Director. He is also a director of U-Ming Marine Transport Corporation and an Independent Director of Adimmune Corporation. He holds a doctorate degree from the University of Maryland.

Shen-Yi Lee is a Director. He is also the Senior Consultant (Hon.) of Chien Yeh law office. He holds a doctorate degree from the Chinese Culture University.

Ching-Cheng Chang is a Director. He is also the Director of Fu Tak Investment Corp. He graduated from Tunghai University.

Chin-Jen Wu is a Director. He is also the Top Advisor of Nan Ya Plastics Corporation. He graduated from National Cheng Kung University.

Zo-Chun Jen is a Director. He is also a Advisor of Nan Ya Plastics Corp. He graduated from Tatung Institute of Technology.

Fong-Chin Lin is a Director. He is also the Senior Vice President of Nan Ya Plastics Corp. He holds a master's degree from National Chengchi University.

Ming-Jen Tzou is a Director. He is also the Executive Vice President of Nan Ya Plastics Corp. and the President of PFG Fibre Glass Corp. He graduated from Provincial Taipei Institute of Technology.

Kuei-Yung Wang is a Director. She is also a Vice President of Nan Ya Plastics Corp. She graduated from University of London, England.

Yuan-Shan Liu is a Director. He is also the Senior Vice President of Nan Ya Plastics Corp. He graduated from National Taiwan University.

Chen-Ching Fu is a Supervisor. He is also a Senior Vice President of Formosa Plastics Group Administration. He graduated from National Chung Hsing University.

Te-Yao Chen is a Supervisor. He is also a Senior Vice President of Formosa Plastics Group Administration. He graduated from Ming Chi Institute of Technology.

Cheng-Hsiao Lei is a Supervisor. He is also the Financial Vice President of Formosa Plastics Group. He holds a master's degree from National Taiwan University.

Executive Officers

The executive officers of Nan Ya Plastics are appointed by the Board of Directors. The following table sets forth certain information relating to the executive officers for the month of December 2014.

Name	Position	Number of Shares Held Directly	Number of Shares Held Through Spouse and Minor Children
Chia-Chau Wu	President	79,030	55,939
Ming-Jen Tzou................	Executive Vice President	188,742	–
Fong-Chin Lin	Senior Vice President	25,458	12,404
Yuan-Shan Liu	Senior Vice President	52,645	20,693
Shiou-Yeh Sheng	Vice President	–	–
Kuei-Yung Wang.............	Vice President	11,613,271	3,068,086
Tzong-Yang Su	Vice President	3,511	8,994
Cheng-Chung Lee	Vice President	–	–
Sin-Yi Huang..................	Vice President	806	572
Tung-Fa Chang	Vice President	21,139	758

Compensation of Directors and Supervisors

In 2014, the payment of employee share bonuses of NT$38.4 million will be submitted to shareholders in June 2015. Nan Ya Plastics does not have a stock option plan.

PRINCIPAL SHAREHOLDERS OF NAN YA PLASTICS

The following table sets forth certain information for the month of December 2014 with respect to shares owned by each person who, according to the records of Nan Ya Plastics, beneficially owned 10 per cent., or more of the shares of Nan Ya Plastics. Beneficial ownership includes ownership by such person's spouse and minor children.

Name of Shareholder	Number of Shares	Percentage of Total Issued and Outstanding Shares
Chang Gung Medical Foundation	876,733,453	11.1%

Apart as set out above, no shareholder owned 10 per cent. or more of the outstanding shares of Nan Ya Plastics.

RECENT DEVELOPMENT

Nan Ya Plastics is a party to the Vietnam Project. For further details in relation to the Vietnam Project, please refer to "Description of Formosa Plastics – Recent Development".

DESCRIPTION OF FORMOSA CHEMICALS & FIBRE

BUSINESS

Overview

Formosa Chemicals & Fibre is one of the ROC's leading manufacturers of petrochemical products, plastics products and fibre and textile products. Its major businesses include the development, manufacture and sale of petrochemical products (including PTA, PIA, benzene, MX, OX, PX, SM, phenol, toulene and acetone), plastics products (including ABS, PS, PP and PC), fibre and textile products (including rayon staple fibre, nylon filament, spun yarn, staple fabric and filament fabric). For the year ended 31 December 2014, sales of petrochemical products, plastics products and fibre and textile products accounted for 51.0 per cent., 27.1 per cent. and 10.5 per cent., respectively, of Formosa Chemicals & Fibre's total operating revenues. For the year ended 31 December 2014, Formosa Chemicals & Fibre's total operating revenues and net income were NT$401,453.7 million (U.S.$12,704.2 million) and NT$14,021.1 million (U.S.$443.7 million), respectively.

Formosa Chemicals & Fibre is a principal supplier of the raw materials used by its affiliates in the Formosa Group to produce downstream petrochemical and plastics products. Sales to affiliated companies in the Formosa Group, primarily Formosa Petrochemical and Nan Ya Plastics Co., Limited, comprised 21.7 per cent. of Formosa Chemicals & Fibre's total operating revenues for the year ended 31 December 2014. Outside the Formosa Group, Formosa Chemicals & Fibre's products are sold principally to secondary and tertiary producers which operate in the ROC, the PRC, Indonesia, Hong Kong, the United States, Pakistan, Japan and several European countries. Sales outside the ROC comprised 78.3 per cent. of Formosa Chemicals & Fibre's total operating revenues for the year ended 31 December 2014.

Formosa Chemicals & Fibre also operates in-house power generating units which supply water, electricity, and steam to its production facilities for use in its manufacturing processes.

At its inception, Formosa Chemicals & Fibre's initial focus was on the production of fibre and fabric products and textiles processing. Formosa Chemicals & Fibre believes that it has been, and still is, one of the world's largest manufacturers of rayon staple fibre and nylon filament and the ROC's largest integrated textiles manufacturer. Although the manufacture of fibre and textile products still constitute a significant part of Formosa Chemicals & Fibre's business, the company has over the years expanded and diversified into the petrochemical and plastics businesses and has become one of the ROC's leading manufacturers of petrochemical and plastics products.

As at 31 December 2014, Formosa Chemicals & Fibre employed 19,278 full-time employees and operated 20 manufacturing plants and three co-generation power plants at five production sites in the ROC located at Ilan, Changhua Long De, Xingangand Mailiao. Formosa Chemicals & Fibre's business is conducted through three operating business segments: petrochemicals (which includes the first chemicals division, second chemicals division and third chemicals division), plastics, fibres and textiles. Each of the operating business divisions is responsible for a particular product or group of products. Fomosa Chemicals & Fibre's registered office is at 359 Chung-Shan Road, Section 3, Chang-Hwa City, Taiwan, ROC.

Formosa Chemicals & Fibre was incorporated on 5 March 1965 as a company organized under the laws of the ROC. The ordinary shares of Formosa Chemicals & Fibre have been listed on the TSE since 1984, and, as at the date of this Offering Circular, Formosa Chemicals & Fibre's total market capitalization was NT$434.9 billion.

History

Certain key dates in the history of Formosa Chemicals & Fibre include:

1965	Formosa Chemicals & Fibre was established as the ROC's first vertically integrated producer of wood pulp, fibre and fabric products and textiles processing products.
1967	Formosa Chemicals & Fibre began to construct its own power generation and supply facilities to help ensure an adequate and low-cost supply of electricity for its operations.
1973	Formosa Chemicals & Fibre commenced production of nylon filament.
1973	Formosa Chemicals & Fibre constructed its own nylon plant. During the same year, Formosa Chemicals & Fibre also entered into a joint venture to form Formosa Taffeta Co., Limited as a downstream processor of nylon products. As at 31 December 2014, Formosa Chemicals & Fibre owned a 37.4 per cent. interest in Formosa Taffeta Co., Limited.
1990	Formosa Chemicals & Fibre began to diversify into upstream petrochemical products and plastics products, such as PTA.
1991	Formosa Chemicals & Fibre commenced production of PS.
1992	Formosa Chemicals & Fibre terminated its wood pulp production business due to the ban of logging activities in the ROC.
1994	Formosa Chemicals & Fibre participated in the construction of the No. 6 Naphtha Cracker Complex. As part of its investments in the complex, Formosa Chemicals & Fibre established a number of petrochemical plants in Mailiao and Heifeng for the production of aromatics and its downstream petrochemical materials, including benzene, toluene, PX, OX, SM, phenol and acetone.
1999	Formosa Chemicals & Fibre's petrochemical and aromatics plants began to supply petrochemical raw materials to its affiliated companies in the Formosa Group.
2002	Formosa Chemicals & Fibre formed a joint venture with Japanese manufacturer, Idemitsu Petrochemical Co., Ltd., to engage in the production and sale of polycarbonate.
2003	Formosa Chemicals & Fibre began construction of a new ABS plant at Ningbo, the PRC, which started its operation in the 2004.
2004	Formosa Chemicals & Fibre began construction for the expansion of its third factory of aromatic hydrocarbons and third set of production facilities for styrene in Mailiao.
2005	Formosa Chemicals & Fibre began construction for the expansion of its third set of production facilities for polycarbonate ("PC") in Mailiao.

2006	Formosa Chemicals & Fibre began construction of production facilities which can provide an annual production capacity of 300,000 tonnes of PTA or 150,000 tonnes of PIA in Ilan.
2009	Formosa Chemicals & Fibre began construction of production facilities which can provide an annual production capacity of 100,000 tonnes of m-xylene ("MX"), 65,000 tonnes of ethylbenzene and 61,000 tonnes of styrene, respectively, in Mailiao.

Strategy

Formosa Chemicals & Fibre's goal is to continue to improve on its position as one of the ROC's leading manufacturers of petrochemical and plastics products. Formosa Chemicals & Fibre will continue to concentrate on producing a large variety of higher value-added products at competitive prices by taking advantage of its vertically integrated manufacturing process and manufacturing process know-how.

Develop higher value products and invest in new technology

Formosa Chemicals & Fibre plans to develop higher value-added and higher margin products to improve competitiveness and market share. Examples include:

- Formosa Chemicals & Fibre plans to continue the development and marketing of its ABS-PC compound plastic as well as other higher value plastic products in order to avoid vicious price competition in the markets of lower price products. ABS-PC compound plastic has high physical tolerance to adverse weather conditions, thus can be used in producing outdoor equipment such as castings of machines for agricultural use, and also parts for environmental friendly vehicles.

- Formosa Chemicals & Fibre has successfully passed the test production stage for its acrylic resin and have been actively marketing it. Acrylic resin is a product made from PP with the characteristics of being light in weight, heat-resistant, resistant to acid and alkali and can be further processed into other products easily. Acrylic resin has been widely used in manufacturing medical equipment and the castings for home electric appliances and automobiles. Formosa Chemicals & Fibre plans to further promote its sales of acrylic resin to Japan and the PRC by improving the quality of acrylic resin to meet with the RTI Standard for heat-resistant electric appliances, as well as developing the potential use of acrylic resin as a material for the production of automobile bumpers.

- Formosa Chemicals & Fibre has launched its mass production of PC as backlight module components for mobile phones, with the properties of high transparency, good optical behaviour, heat-resistant and impact-resistant. Formosa Chemicals & Fibre has developed the technique of producing castings for tablet computers and mobile phones with PC-glass fibre compound, which is light in weight and can be produced at low costs. Formosa Chemicals & Fibre is also researching and test producing spectacles lenses with PC as the base material, which its quality has been recognized by a number of Formosa Chemicals & Fibre's customers.

- Formosa Chemicals & Fibre has jointly established a butyl-rubber factory together with Nan Ya Plastics and Formosa Petrochemical, which has an annual production rate of 50,000 metric tons.

Formosa Chemicals & Fibre believes that maintaining a diversified production line is essential to its growth and to establishing relationships with its customers and improving market share. It plans to sell a broader range of higher value-added products to its existing customers and create new products to venture into new markets.

Expand Formosa Chemicals & Fibre's presence in Southeast Asia and the Middle East

Formosa Chemicals & Fibre believes that competition in sales in the PRC has been intensified as there is a reduction in demand for raw materials because of the slowdown in PRC economic growth and its over-production of petrochemical products. Therefore, while maintaining its existing presence in the PRC, Formosa Chemicals and Fibre also plans to expand its presence in Southeast Asia and also the Middle East in order to widen its customer base and diversify risks. Examples include:

- Formosa Chemicals & Fibre has been receiving orders of a stable volume of its PS products from the Middle East, South Africa and Brazil. It has also developed new markets in Japan and Israel for its food packaging material business.

- Formosa Chemicals & Fibre has developed new textile products including high-strength nylon filaments, shiny filaments and tricot fabric, which have been well received in Japan.

Products

Formosa Chemicals & Fibre produces a broad range of products in the following principal categories: petrochemicals, plastics, fibres and textiles.

Formosa Chemicals & Fibre develops, manufactures and markets its products through individual operating business divisions: petrochemicals (which includes the first petrochemical division, second petrochemical division, third petrochemical division and Formosa Chemical Industries (Ningbo) Limited Co.), plastics (which includes the plastic division, Formosa ABS Plastics (Ningbo) Co., Ltd. and Formosa PS (Ningbo) Co., Ltd.) and fibres and textiles (which includes Formosa Taffeta Co., Ltd.).

The following tables set forth, for the periods indicated, the contribution of each business division to Formosa Chemicals & Fibre's operating revenues and the percentage each business division contributes to Formosa Chemicals & Fibre.

	Year ended December 31,						
	2012		**2013**		**2014**		
	NT$ (millions)	*%*	*NT$ (millions)*	*%*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
Petrochemicals	189,123.0	48.3	227,747.6	53.2	204,701.8	6,477.9	51.0
Plastics	94,209.5	24.1	111,630.4	26.1	108,741.1	3,441.1	27.1
Fibres and textiles	42,671.8	10.9	40,468.0	9.5	42,015.4	1,329.6	10.5
Others(1)	65,595.7	16.7	48,154.0	11.2	45,995.4	1,455.6	11.4
Total	391,600.0	100.0	428,000.0	100.0	401,453.7	12,704.2	100.0

Note:

(1) "Others" primarily consists of sales of gasoline, testing module, processing of IC, energy & utilities and sales of carpets.

Petrochemical Products

Formosa Chemicals & Fibre began to diversify into upstream petrochemical products, such as PTA, in 1990. Later, as part of its participation in the development of the No. 6 Naphtha Cracker Complex, Formosa Chemicals & Fibre established a number of petrochemical plants in Mailiao and Heifeng for the production of aromatics and its downstream petrochemical products, including phenol, OX, PX, benzene, SM, acetone and toluene. Currently, Formosa Chemicals & Fibre has three aromatic plants with a planned output of 3.9 million tons, which can supply benzene and PX intermediate material for the use of the Formosa Group. Formosa Chemicals & Fibre manufactures and sells a variety of petrochemical products, including PTA, benzene, MX, OX, PX, SM, phenol, toulene and acetone. For the year ended 31 December 2014, petrochemical products represented the largest portion of Formosa Chemicals & Fibre's business by revenues. Sales of petrochemical products accounted for 48.3 per cent., 53.2 per cent. and 51.0 per cent. of Formosa Chemicals & Fibre's total operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth sales volumes of Formosa Chemicals & Fibre's key petrochemical products, revenues generated from sales of such products, and the percentage of total petrochemical products revenues represented by each product for the periods indicated:

	Year ended December 31,									
	2012			**2013**			**2014**			
	Volume (MT)	*NT$ (millions)*	*%*	*Volume (MT)*	*NT$ (millions)*	*%*	*Volume (MT)*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
PTA	2,752,833	89,822.3	47.5	2,349,196	76,342.3	33.5	191,156	60,133.3	1,903.0	29.4
SM	321,370	13,727.2	7.3	393,141	19,620.5	8.6	427,090	19,481.1	616.5	9.5
Phenol and acetone	674,621	24,809.8	13.1	737,758	27,788.1	12.2	677,273	25,865.8	818.5	12.6
OX	285,847	12,584.2	6.6	240,429	10,313.6	4.5	208,348	7,692.9	243.4	3.8
PX	172,102	7,566.6	4.0	671,522	29,298.4	12.9	680,081	25,298.2	800.6	12.4
Other	–	40,612.9	21.5	–	64,384.7	28.3	–	66,230.5	2,095.9	32.3
Total	–	189,123.0	100.0	–	227,747.6	100.0	–	204,701.8	6,477.9	100.0

Note:

(1) "Others" include MX, benzene and toulene.

PTA. PTA is one of the principal raw materials used in the production of polyester. Formosa Chemicals & Fibre has been manufacturing PTA since 1990 at its PTA plant in Longte. As part of its investments under the No. 6 Naphtha Cracker Complex, Formosa Chemicals & Fibre constructed two additional PTA plants in Mailiao, which were completed in September 1998 and August 1999, respectively, and each plant has an annual production capacity of 420,000 metric tons of PTA.

In light of increasing demand for PTA in the domestic and foreign markets as polyester producers continue to expand, Formosa Chemicals & Fibre replaced its production line at its Longte plant with a more advanced PTA production line in 2002, which increased its production capacity to 500,000 metric tons per year. These three PTA production lines were revamped in 2006. The capacity of each plant in Mailiao increased to 550,000 metric tons per year. The capacity of the PTA plant in Longte increased to 700,000 metric tons per year. With the two additional PTA plants in Mailiao and the rebuilt PTA plant in Longte, Formosa Chemicals & Fibre has a combined annual production capacity of approximately 1,800,000 metric tons of PTA, which it utilizes to fulfil internal demands within the Formosa Group (Formosa Chemicals & Fibre provides PTA to Nan Ya Plastics and Formosa Industries Corporation in Vietnam), and sells residual amounts to polyester producers outside the Formosa Group. There were new large-scale PTA plants put to the market in the PRC from 2012, which created an excessive capacity and has made it very competitive for the industry players. Due to this situation, Formosa Chemicals & Fibre implemented reduction in production volume as well as export. For the year ended 31 December 2014, Formosa Chemicals & Fibre sold approximately 54,530 metric tons of PTA per month to domestic customers outside the Formosa Group and approximately 5,676 metric tons of PTA per month to polyester producers in the export market, primarily in India.

SM. SM is a principal raw material used in the production of PS and ABS resins. Formosa Chemicals & Fibre began construction of its SM plant in 1996 as a result of its participation in the No. 6 Naphtha Cracker Complex. Phase 1 of the SM plant was completed in 1999 with annual production capacity of 200,000 metric tons of SM. Phase 2 of the SM plant was completed in 2000 which increased annual production capacity of SM to 450,000 metric tons. Phase 3 of the SM plant was completed in 2006 which increased annual production capacity of SM to 1,050,000 metric tons. As a result of continued debottlenecking on its SM plant and improvement in manufacturing efficiency, Formosa Chemicals & Fibre's annual production capacity of SM further increased to 1,320,000 metric tons in 2014.

Phenol and Acetone. Phenol and acetone are the two principal raw materials used in the production of Bisphenol-A. Formosa Chemicals & Fibre commenced production of phenol and acetone in 2000 as a result of its participation of the No. 6 Naphtha Cracker Complex. Phenol and acetone are joint-products produced by alkylation of benzene and propylene via the current process. Currently, Formosa Chemicals & Fibre's annual production capacity of phenol and acetone are 440,000 metric tons and 271,000 metric tons, respectively. To increase its market share and to accommodate increasing demand for phenol and acetone in the domestic and export markets, Formosa Chemicals & Fibre has established a new production line for phenol and acetone in Ningbo, the PRC in 2011, with an annual production capacity of phenol and acetone of approximately 300,000 metric tons and 185,000 metric tons, respectively. The new production line has increased Formosa Chemicals and Fibre's annual production capacity of phenol and acetone to a total of approximately 740,000 metric tons and 456,000 metric tons, respectively.

Aromatics (including OX, PX, benzene and toluene). OX is mainly used for gasoline blending in the production of pathalic anhydride. PX is a principal raw material used to produce PTA and dimethyl terephthalate. Benzene is a principal raw material used to produce SM, caprolactam and detergent. Toluene is principally used to produce benzene and xylene. Benzene and toluene can also be used as solvents. Formosa Chemicals & Fibre began construction of its first aromatics plant in 1996 as a result of its participation in the No. 6 Naphtha Cracker Complex. The first aromatics plant was completed in 1999. Formosa Chemicals & Fibre completed its second aromatics plant in 2000, with which annual production capacities of OX, PX, benzene and toluene increased to 202,000 metric tons, 635,000 metric tons, 624,000 metric tons and 20,000 metric tons, respectively. As at 31 December 2014, Formosa Chemicals & Fibre has three aromatic plants. As a result of continuous improvement in manufacturing efficiency and debottlenecking, Formosa Chemicals & Fibre's annual production capacities of OX, PX and benzene were subsequently increased to 480,000 metric tons, 1,720,000 metric tons and 1,280,000 metric tons, respectively, in 2014. Its production capacity of toluene was maintained at 20,000 metric tons per year in 2014.

Plastics Products

Formosa Chemicals & Fibre manufactures and sells a variety of plastics products including ABS products, PS pellets, PP products and PC products. Sales of plastics products accounted for 24.1 per cent., 26.1 per cent. and 27.1 per cent. of Formosa Chemicals & Fibre's total operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth sales volumes of Formosa Chemicals & Fibre's key plastics products, revenues generated from sales of such products, and the percentage of total plastics products revenues represented by each product for the periods indicated:

	Year ended December 31,									
	2012			2013			2014			
	Volume (MT)	*NT$ (millions)*	*%*	*Volume (MT)*	*NT$ (millions)*	*%*	*Volume (MT)*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
ABS products	651,633	38,353.6	40.7	765,562	44,766.3	40.1	799,420	46,786.8	1,480.6	43.0
PS pellets	538,957	26,712.7	28.3	554,131	31,007.5	27.8	524,543	27,038.2	855.6	24.9
PP products	409,850	18,621.7	19.8	489,241	22,772.2	20.4	447,496	22,148.5	700.9	20.4
PC products	148,095	10,521.5	11.2	173,409	13,084.4	11.7	175,852	12,767.6	404.1	11.7
Total	–	94,209.5	100.0	–	111,630.4	100.0	–	108,741.1	3,441.2	100.0

ABS products. As ABS resin (a copolymer of acrylonitrile-butadiene-styrene), a downstream product of styrene, is also an important plastics material with extensive applications, Formosa Chemicals & Fibre embarked on the construction of its own ABS plant in the Zhong Yang Industrial Zone at Hsin Kang, Chiayi in 1993, which was completed in May 1995. As a result of its participation in the construction of the No. 6 Naphtha Cracker Complex, Formosa Chemicals & Fibre constructed an additional ABS plant in Mailiao, which increased its annual production capacity to 410,000 metric tons in 2014. Formosa Chemicals & Fibre has started to produce ABS-PC compound plastic in recent years, which has high impact strength and high heat resistance. It is intensively used in many fields such as castings of household appliance, parts for environmental friendly vehicles and a variety of electronic components.

Formosa Chemicals & Fibre has been and plans to continue to develop high value-added special grade ABS products for product diversification and differentiation. It plans to focus on developing in markets in Europe, America and other regions in order to reduce the impact from competition in the PRC general grade ABS product market.

PS pellets. PS is a downstream product of SM which is used to manufacture rigid plastics products. Formosa Chemicals & Fibre produces both general purpose PS and high impact PS. General purpose PS can be injection moulded, can be clear or coloured, and is used in such items as drinking cups, tumblers and audio cassettes. High impact PS is more resistant and is used for products that require greater strength, such as furniture, exterior cases for electronic appliances, back cover of large-sized televisions and toys. Formosa Chemicals & Fibre has two PS plants, one located in the Zhong Yang Industrial Zone at Hsin kang, Chiayi, next to the ABS plant, with another one in Mailiao which was completed in 2001. The two plants has an aggregate annual capacity of 320,000 metric tons for the year 2014.

PP products. PP is a very versatile polymer that is light-weight and has high optical clarity, low moisture vapour transmission and the ability to be drawn and oriented into fibres. PP is used in the manufacture of a wide range of consumer non-durable plastics, consumer durables and industrial products such as automotive products and coatings. PP is one of the most versatile and low cost polymers in the petrochemical industry and has achieved a large portion of its growth in demand by substituting other polyolefins. This has been especially true for such applications as PS in disposal utensils, polyethylene terephthalate in film packaging, polyethylene in housewares and consumer goods and flexible PVC in film, automotive and medical applications.

Formosa Chemicals & Fibre's PP plant is located in Mailiao. The PP plant was completed in 2000 with an annual capacity of 510,000 metric tons in 2014.

PC. In light of the increasingly competitive market for plastics products, Formosa Chemicals & Fibre formed a joint venture with Japanese manufacturer, Idemitsu Petrochemical Co., Ltd., to engage in the production and sale of PC in 2002. Formosa Chemicals & Fibre has launched its mass production of PC as backlight module components for mobile phones and has developed the technique of producing castings for tablet computers and mobile phones with PC-glass fibre compound. Formosa Chemicals & Fibre had an annual production capacity 200,000 metric tons of its PC products in 2014.

Fibre and Textile Products

The principal products of Formosa Chemicals & Fibre's fibre and textile businesses are rayon staple fibre, nylon filament, spun yarn, staple fabric and filament fabric. Sales of fibre and textile products accounted for 10.9 per cent., 9.5 per cent. and 10.5 per cent. of Formosa Chemicals & Fibre's total operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. The following table sets forth sales volumes of Formosa Chemicals & Fibre's key fibre and textile products, revenues generated from sales of such products, and the percentage of total fibre and textile products revenues represented by each product for the periods indicated:

	Year ended 31 December									
	2012			2013			2014			
	Volume (MT)	*NT$ (millions)*	%	*Volume (MT)*	*NT$ (millions)*	%	*Volume (MT)*	*NT$ (millions)*	*U.S.$ (millions)*	%
Nylon filament	104,338	10,735.8	25.2	111,667	11,194.3	27.7	108,672	10,592.0	335.2	25.2
Rayon staple fibre	59,747	4,125.9	9.7	86,446	4,929.7	12.2	92,343	5,031.7	159.2	12.0
Spun yarn	380,818	6,593.1	15.4	375,199	6,438.9	15.9	362,989	5,849.4	185.1	13.9
Staple fabric	35,033	1,429.3	3.3	33,159	1,231.1	3.0	31,692	1,084.8	34.3	2.6
Filament fabric	351,725	15,221.6	35.7	320,671	14,743.4	36.4	315,469	15,851.3	501.6	37.7
Others[1]	–	4,566.1	10.7	–	1,930.6	4.8	–	3,606.2	114.2	8.6
Total	–	42,671.8	100.0	–	40,468.0	100.0	–	42,015.4	1,329.5	100.0

Note:

(2) "Others" include by-products (primarily natrium sulfuricum) and detergents.

Nylon Filament. Formosa Chemicals & Fibre produces four broad categories of nylon filament: fully drawed yarn, partially oriented yarn, tire cord yarn and multi-purpose industrial yarn including fishnet yarn.

Fully drawed yarn is the most important type of filament product and has a wide range of applications. Formosa Chemicals & Fibre produces three types of fully drawed nylon products: taffeta yarn, pantyhose yarn and tricot yarn. The most important fully drawed yarn product for Formosa Chemicals & Fibre in terms of sales is taffeta, which takes the form of taffeta yarn, spin-dyed taffeta and micro-denier taffeta. These products are used internally or sold to producers outside the Formosa Group for the manufacture of a wide variety of cloths, including cloths for raincoats and umbrellas and ballistic nylon for handbags and suitcases.

Partially oriented yarn is more stretchable but not as strong as fully drawed yarn. These products are used internally or sold to producers outside the Formosa Group for spinning into nylon stretched yarn using a false twisting process. Nylon stretched yarn can be processed into cloth that can be stretched, and is used in the manufacture of a variety of products such as sports clothing, swimwear, socks, women's hosiery, intimate apparel, aerobic dancing clothes and other stretchable clothes.

Nylon tire cord yarn is thicker and stronger than the other three types of yarn. Because of its strength and durability, it is widely used in the manufacture of automobile and truck tires.

Fishnet yarn is one type of multi-purpose industrial yarn manufactured by Formosa Chemicals & Fibre. Fishnet yarn is primarily used to manufacture fishnet and nylon string.

Formosa Chemicals & Fibre has also directed its efforts towards developing customer– oriented, higher value added products, including high count yarn, micro fibre yarn, dope dyed yarn, full dull yarn and PP yarn to diversify its production and improve market share.

Rayon Staple Fibre. Rayon staple fibre, the principal raw material for all rayon products, is produced primarily in lengths of one to two inches which can then be spun like cotton into pure or blended yarn. Formosa Chemicals & Fibre manufactures a wide range of rayon fibres having various deniers, lengths, tenacities and lustres for numerous applications in order to meet customer's specifications and demand, among them the production of pure rayon yarn and E/R yarn (a blend of polyester fibre and rayon fibre), as well as special usage fibres which include dope-dyed rayon fibre, non-woven rayon fibre, high wet modulus rayon, flame resistant rayon, anti-bacteria rayon.

Formosa Chemicals & Fibre is also focusing on producing higher value added types of rayon fibre that are not so easily replaced by cotton and have higher downstream profit margins. These higher value added fibres include special usage fibre, high tenacity fibre and fine denier fibre. Fibre with a denier of 1.1 or less is called fine denier fibre and requires more sophisticated technology to produce. Fabric produced from fine denier fibre is softer and thinner than that produced from other fibres and can be used for high fashion clothing. Due to the complexity of its production process, Formosa Chemicals & Fibre is one of the very few Asian manufacturers who is able to produce fine denier fibre.

Formosa Chemicals & Fibre also provides non-woven rayon from special usage fibre which is used for manufacturing medical and hygiene products such as swabs, tampons and diapers. By-products from rayon staple fibre production include sodium sulphate, which Formosa Chemicals & Fibre primarily sells to domestic dyeing and glass industries.

Spun Yarn. Formosa Chemicals & Fibre is one of the largest producers of yarn in the ROC, producing primarily pure rayon yarn and E/R yarn. Rayon yarn is used for textiles and industrial purposes. Using rayon fibre produced by its rayon division and polyester fibre from Nan Ya Plastics, Formosa Chemicals & Fibre produces E/R yarn and other yarn for internal use for weaving or knitting into cloth and for sale to both domestic and overseas customers. It is also focusing on high twist versions of its pure rayon and E/R yarns, which have a high value added content.

Formosa Chemicals & Fibre also manufactures acrylic yarn from acrylic purchased from Formosa Plastics and pure polyester yarn from polyester purchased from Nan Ya Plastics.

In line with its diversification strategy, Formosa Chemicals & Fibre has added special purpose yarns to its product lines, and has undertaken research and development activities to improve the quality of yarn and to discover new materials to develop new yarn products to improve competitiveness and market share. Spun yarn design spinning which produces 72,000 bales a year.

Staple Fabric. Pure rayon cloth and rayon and blended cloth can be used to make a variety of clothing articles and household linens and as backing cloth for PVC leather and polyurethane leather. Nan Ya Plastics, which manufactures PVC and polyurethane leather, is Formosa Chemicals & Fibre's principal customer for industrial use rayon cloth and accounted for 2.6 per cent. of Formosa Chemicals & Fibre's operating revenues from staple fabric for the year ended 31 December 2014. Formosa Chemicals & Fibre's staple fabric production is evenly split between the production of pure rayon cloth and cloth manufactured from rayon blended with other fibres such as polyester, linen and cotton. Fabrics design, weaving, dyeing and finishing which produces approximately 40 millions of yards staple fabric a year.

Filament Fabric. Formosa Chemicals & Fibre produces filament fabric from nylon or polyester filament. Filament fabric is qualified down-proof fabric also characterized by air permeability, water permeability, soft and light-weighted, and is used in down jacket, sleeping bags, wind breaker jacket and children's clothings. The cloth is also the optimal choice for outdoors sports and casual clothes, and is used in snow wear, ski wear, high mountain wear and casual wear. Filament fabric of dyeing and finishing produces 22 millions yards of filament fabric a year.

Organization

Operating Divisions

Formosa Chemicals & Fibre's petrochemicals, plastics and fibre and textiles businesses in the ROC are managed by three operating business segments, and each of these divisions focuses on a particular product or group of products. The engineering and utilities division is principally concerned with installing and operating power supply facilities and designing equipment and production facilities for Formosa Chemicals & Fibre. The following table sets forth the principal products of each of Formosa Chemicals & Fibre's principal product categories and the typical applications of such products, as well as the operating business divisions responsible for the manufacture of such products:

Product Category	Division	Main Products/ Business	Typical Applications
Petrochemical Products			
PTA	Petrochemicals (Third Chemicals Division)	PTA	Raw material for polyester fibre
Phenol	Petrochemicals (Second Chemicals Division)	Phenol	Raw material for Bisphenol-A
OX	Petrochemicals (First Chemicals Division)	OX	Raw material for pathalic anhydride (PA)
SM	Petrochemicals (Second Chemicals Division)	SM	Raw material for PS and ABS
Acetone	Petrochemicals (Second Chemicals Division)	Acetone	Raw material for Bisphenol-A

Product Category	Division	Main Products/ Business	Typical Applications
Plastics Products			
ABS	Plastics Division	ABS resin	Containers, exterior cases for electronic appliances, automobile appliances, luggage and pipes
PS	Plastics Division	General purpose PS and high impact PS	Containers, exterior cases for electronic appliances and toys
PP	Plastics Division	PP	Carpeting, food packaging, upholstery, automobile component and plastic bottle cups
PC	Plastics Division	PC	Raw material for manufacturing compact disc
Fibre and textile Products			
Nylon filament	Nylon (Nylon Division)	Nylon filament (fully drawed yarn; partially oriented yarn; tire cord yarn)	Fabric, taffeta and tire cord
Rayon staple fibre	(Rayon Division)	Rayon staple fibre	Spun rayon yarn, blended yarn
Spun yarn	Textile Division	Rayon, acrylic, polyester, cotton spun and blended yarn	Weaving fabric, knitting fabric
Staple fabric	Textile Division	Staple fabric R,E/R,E/C, stretch, interwoven	Clothes, bed sheets, flame-retardant or fire-proof casual wear, uniform, curtain
Filament fabric	Textile Division)	Filament fabric	Down jackets, sleeping bags, wind breaker jackets, snow wear, ski wear, high mountain wear, casual wear
Power Generation			
Electricity and steam	Engineering and Utilities Division	Electricity, steam and water treatment Design of Equipment and plant	Power supply

Raw Materials

Supply and Consumption

Raw materials sourced within and outside the Formosa Group. The principal component of Formosa Chemicals & Fibre's operating costs is raw materials. Cost of raw materials constituted 83.4 per cent. of Formosa Chemicals & Fibre's operating costs for the year ended 31 December 2014. Some of these raw materials were purchased from Formosa Chemicals & Fibre's affiliates. All such purchases were made on an arm's length basis at market prices. Such purchases, like Formosa Chemicals & Fibre's other transactions with its affiliates, are conducted on terms that are substantially the same as those for comparable transactions with non-affiliates. See "Related Party Transactions – Formosa Chemicals & Fibre". Purchases from unaffiliated suppliers accounted for 56.1 per cent., 52.2 per cent. and 54.6 per cent. of Formosa Chemicals & Fibre' purchases of raw materials by value for the years ended 31 December 2012, 2013 and 2014, respectively. The table below sets forth certain information regarding the principal raw materials that Formosa Chemicals & Fibre sources from other entities, including other members of the Formosa Group.

Raw Materials	Principal Use	Principal Supplier
Pulp	Rayon staple fibre	Saiccor, Domsjo, Tembec, Borregaard, Sniace
Sodium hydroxide	Rayon staple fibre	Formosa Plastics
Sulphur	Rayon staple fibre	Formosa Petrochemical
Acetic acid	PTA	CPDC, Spot Market
Full range naphtha	PX, OX, Benzene, Toluene	Spot Market
Heat cut naphtha	PX, OX, Benzene, Toluene	Formosa Petrochemical
Pyrolysis gasoline	PX, OX, Benzene, Toluene	Formosa Petrochemical
Ethylene	SM	Formosa Petrochemical
Mix ylene	PX, OX, Benzene, Toluene	Spot Market
Propylene	Phenol, Acetone, PP	Formosa Petrochemical
AN	ABS	Formosa Plastics
Butadiene	ABS	Formosa Petrochemical
Bisphenol-A	PC	Nan Ya Plastics
Para-tertiary-butylphenol	PC	Dainippon, Yuka Schenectady
Carbon monoxide	PC	Formosa Petrochemical
Caprolactam	Nylon filament	CPDC, DSM, UBE, Toray
Polyester staple fibre	Spun Yarn	Nan Ya Plastics
Acrylic staple fibre	Spun Yarn	Formosa Plastics
Cotton	Spun Yarn	Spot Market

Raw Materials produced internally. As part of its vertical integration strategy, Formosa Chemicals & Fibre produces a series of petrochemical products in the No.6 Naphtha Cracker Complex for use principally in the production of its own downstream products. The following table sets forth certain information regarding the principal raw materials that Formosa Chemicals & Fibre produces internally.

Raw Materials Produced Internally	Principal Use	Division responsible
Benzene	SM, Phenol, Acetone	Petrochemical (First Chemicals Division)
PX	PTS	Petrochemical (First Chemicals Division)
SM	PS, ABS	Petrochemical (Second Chemicals Division)
Rayon staple fibre	Spun Yarn	Rayon Division)
Rayon blended yarn	Rayon, Blended Fabric	Textile Division
Nylon filament	Filament Fabric	Fibre (Nylon Division)

Principal Raw Materials consumed. Formosa Chemicals & Fibre's principal raw materials by value consumed include PX, benzene, SM, heat cut naphtha, pyrolysis gasoline, propylene, mix-xylene caprolactam and ethylene. The following table sets forth, for the periods indicated, the amount of principal raw materials consumed by Formosa Chemicals & Fibre:

	Year ended 31 December		
	2012	2013	2014
	(MT)	*(MT)*	*(MT)*
PX	1,213,457	861,150	777,181
Benzene	1,285,808	1,501,080	1,441,421
SM	535,726	562,120	546,374
Heat cut naphtha	3,252,422	3,585,436	3,211,585
Pyrolysis gasoline	1,100,910	1,199,494	1,338,568
Propylene	604,686	691,985	620,716
Mix xylene	613,401	653,506	777,626
Caprolactam	147,906	146,799	152,364
Ethylene	356,434	422,750	419,553

Types of Raw Materials

Petrochemical Products

PTA. PX and acetic acid are the two principal raw materials used in the production of PTA. For the year ended 31 December 2014, Formosa Chemicals & Fibre sourced 88.0 per cent. of its demand of PX from its own aromatics plant at Mailiao. The remaining 12.0 per cent. was purchased from overseas suppliers with reference to spot market prices.

For the year ended 31 December 2014, Formosa Chemicals & Fibre acquired 100 per cent. of its requirements of acetic acid from its own acetic acid plant at Mailiao.

Phenol and Acetone. The principal raw materials required for the production of phenol and acetone are benzene and propylene, which Formosa Chemicals & Fibre either produces internally at its own aromatics plant at Mailiao or obtains from Formosa Petrochemical. For the year ended 31 December 2014, Formosa Chemicals & Fibre utilized a total of 311,827 metric tons of benzene produced at its aromatics plant for the production of phenol and acetone. For the same period, Formosa Petrochemical supplied a total of 210,323 metric tons of propylene to Formosa Chemicals & Fibre for the production of phenol and acetone.

SM. The two principal raw materials required for the production of SM are benzene and ethylene which, because of its vertical integration policy, Formosa Chemicals & Fibre is able to produce internally. For the year ended 31 December 2014, 95.0 per cent. of Formosa Chemicals & Fibre's requirements of benzene for the production of SM was produced internally at its own aromatics plant at Mailiao, with the balance purchased from overseas suppliers. For the year ended 31 December 2014, Formosa Chemicals & Fibre purchased 109,971 metric tons of benzene from its overseas suppliers and utilized 54,514 metric tons of benzene from internal production for its production of SM.

For the year ended 31 December 2014, Formosa Chemicals & Fibre obtained all of its requirements of ethylene from Formosa Petrochemical. For the year ended 31 December 2014, Formosa Petrochemical supplied a total of 388,663 metric tons of ethylene to Formosa Chemicals & Fibre.

Plastics Products

ABS products. The three principal raw materials used in the production of ABS are SM, AN and butadiene, all of which Formosa Chemicals & Fibre either produces internally or sources from other companies within the Formosa Group. For the year ended 31 December 2014, Formosa Chemicals & Fibre's SM plant supplied all of its plastics division's requirements of SM. For the same period, Formosa Plastics supplied all of Formosa Chemicals & Fibre's requirements of AN while Formosa Petrochemical supplied all of Formosa Chemicals & Fibre's requirements of butadiene. For the year ended 31 December 2014, Formosa Chemicals & Fibre acquired a total of 86,663 metric tons of AN from Formosa Plastics and 55,934 metric tons of butadiene from Formosa Petrochemical.

PS pellets. For the year ended 31 December 2014, Formosa Chemicals & Fibre's SM plant at Mailiao supplied all of its requirements of SM for the production of PS. For the year ended 31 December 2014, Formosa Chemicals & Fibre's SM plant supplied a total of 307,833 metric tons of SM to the PS plant.

PP products. Propylene is the principal raw material used for the production of PP. For the year ended 31 December 2014, Formosa Chemicals & Fibre acquired all of its requirements of propylene from Formosa Petrochemical. For the year ended 31 December 2014, Formosa Chemicals & Fibre acquired a total of 443,421 metric tons of propylene from Formosa Petrochemical for the production of PP.

PC products. The principal raw materials used in the production of PC includes bisphenol-A ("BPA"), para-tertiary-butylphenol and carbon monoxide. For the year ended 31 December 2014, Formosa Chemicals & Fibre acquired all of its requirements of BPA from Nan Ya Plastics. For the same period, Formosa Chemicals & Fibre obtained all of its requirements of para-tertiary-butylphenol from several suppliers in Japan. For the year ended 31 December 2014, Formosa Chemicals & Fibre acquired all of its requirements of carbon monoxide from Formosa Petrochemical. For the year ended 31 December 2014, Formosa Chemicals & Fibre acquired a total of 160,250 metric tons, 4,580 metric tons and 23,886 metric tons, of BPA, para-tertiary-butylphenol and carbon monoxide, respectively, from its respective suppliers.

Fibre and Textile Products

Rayon Products

Nylon Filament. The principal raw material required for the production of nylon filament is caprolactam. Formosa Chemicals & Fibre purchases both moten and flake caprolactam from regular domestic and foreign suppliers with reference to spot market prices. Caprolactam in moten form is principally supplied domestically by China Petrochemical Development Corp. or imported from Japan. Caprolactam in flake form, which is easier to transport than moten caprolactam, is imported from Japan and the Netherlands. For the year ended 31 December 2014, Formosa Chemicals & Fibre purchased a total of 182,064 metric tons of caprolactam from domestic and overseas suppliers.

Rayon Staple Fibre. The principal raw material required for the production of rayon staple fibre is wood pulp. Formosa Chemicals & Fibre purchases pulp from several suppliers mainly in South Africa, Spain, Brazil and Canada.

The production of rayon staple fibre also requires sodium hydroxide and molten sulphur for the production of carbon sulphate and sulphuric acid. For the year ended 31 December 2014, Formosa Plastics supplied all of Formosa Chemicals & Fibre's requirements of sodium hydroxide while Formosa Petrochemical supplied Formosa Chemicals & Fibre with all its requirements of molten sulphur. For the year ended 31 December 2014, Formosa Chemicals & Fibre acquired a total of 129,373 metric tons of wood pulp from its overseas suppliers. For the same period, Formosa Chemicals & Fibre acquired a total of 88,901 metric tons of sodium hydroxide and 32,267 metric tons of molten sulphur from its affiliated companies.

Spun Yarn. Spun yarn is manufactured by Formosa Chemicals & Fibre's textile division, which acquires all of its rayon staple fibre needs from its rayon division. For the year ended 31 December 2014, Formosa Chemicals & Fibre purchased all of its requirements of acrylic fibre from Formosa Plastics and all of its requirements of polyester fibre from Nan Ya Plastics. For the same period, Formosa Chemicals & Fibre also purchased all of its requirements of natural cotton from various suppliers in the spot market. For the year ended 31 December 2014, Formosa Chemicals & Fibre acquired a total of 9,080 metric tons of rayon staple fibre, 274 metric tons of polyester fibre and 1,075 metric tons of acrylic fibre from its affiliated companies. During the same period, Formosa Chemicals & Fibre purchased 2,326 metric tons of natural cotton from its overseas suppliers.

Staple Fabric. Staple fabric is manufactured by Formosa Chemicals & Fibre's textile division which produces all of its requirement of spun yarn from its affiliated companies and from several domestic suppliers.

Filament fabric. Filament fabric is manufactured by Formosa Chemicals & Fibre's textile division which produces all of its requirement of nylon, polyester grey cloth from its affiliated company FTC and from several domestic suppliers.

Sales

Geographical Markets

The following table sets forth, for the periods indicated, the percentage breakdown of Formosa Chemicals & Fibre's operating revenues by geographic segments for each type of product it manufactures:

	Year ended 31 December		
	2012	2013	2014
	%	%	%
Petrochemical Products			
ROC	56.1	56.2	57.7
PRC	41.3	41.4	38.1
U.S. and Europe	0.1	0.0	1.4
Others	2.5	2.4	2.8
Total	100.0	100.0	100.0
Plastics Products			
ROC	19.2	16.4	16.4
PRC	61.3	63.7	64.1
U.S. and Europe	2.0	1.8	2.2
Others	17.5	18.1	17.3
Total	100.0	100.0	100.0
Fibre Products			
ROC	32.5	32.9	33.1
PRC	27.0	24.0	17.1
U.S. and Europe	0.9	1.4	1.6
Others	39.6	41.7	48.2
Total	100.0	100.0	100.0

Customers

Formosa Chemicals & Fibre has built an extensive and stable customer base both in the ROC and overseas. In the export market, Formosa Chemicals & Fibre has been able to grow its exports sales by targeting high growth markets such as the PRC, Indonesia and India. In the domestic market, Formosa Chemicals & Fibre believes that it has built a leading market position in each of its principal product markets. Formosa Chemicals & Fibre's customer base outside of the Formosa Group consists of manufacturers, distributors and sales agents in the ROC and manufacturers and trading companies outside the ROC. Formosa Chemicals & Fibre believes that it has good relationships with its customers, and that these relationships provide it with a stable customer base. Formosa Chemicals & Fibre's largest single customer for the year ended 31 December 2014 was Great World, which accounted for 6.0 per cent. of Formosa Chemicals & Fibre's total operating revenues for the year. Total sales of its products to companies in the Formosa Group accounted for 21.7 per cent., of Formosa Chemicals & Fibre's total operating revenues for the year ended 31 December 2014. Exports of Formosa Chemicals & Fibre's products for the year ended 31 December 2014 totalled 57.0 per cent. of its total operating revenues.

Petrochemical Products

PTA. For the year ended 31 December 2014, Formosa Chemicals & Fibre sold 17.6 per cent. of the PTA it produced to Nan Ya Plastics Co., Limited. Most of the remaining PTA production (46.5 per cent. of its production) was sold domestically.

Phenol. For the year ended 31 December 2014, Formosa Chemicals & Fibre sold 85.7 per cent. of the phenol it produced to domestic customers and 14.3 per cent. of its production to overseas customers. For the year ended 31 December 2014, Formosa Chemicals & Fibre's largest customer for phenol accounted for 75.2 per cent. of its production of phenol. 10.5 per cent. of its production was sold to domestic customers outside of the Formosa Group. In the export market, most of

Formosa Chemicals & Fibre's phenol production was sold to PRC manufacturers, accounting for 8.8 per cent. of its production for the year ended 31 December 2014. 6.4 per cent. of its phenol production was exported to other Asian countries such as Malaysia, Korea, India and Japan.

OX. Formosa Chemicals & Fibre sells the OX it produces to domestic and overseas customers. For the year ended 31 December 2014, 63.5 per cent. of Formosa Chemicals & Fibre's production was sold to domestic customers, with Nan Ya Plastics being the largest customer, accounting for 57.4 per cent. of its production of OX for the same period. In the exports market, Formosa Chemicals & Fibre's export customers for OX are primarily manufacturers in the PRC, which accounted for 36.5 per cent. of Formosa Chemicals & Fibre's sales of OX for the year ended 31 December 2014.

SM. Formosa Chemicals & Fibre utilizes most of the SM it produces internally as raw materials for the production of PS and ABS. For the year ended 31 December 2014, Formosa Chemicals & Fibre utilized 68.0 per cent. of its production of SM internally. For the same period, most of the remaining production of SM (18.4 per cent.) was sold to domestic manufacturers in the ROC, including affiliated companies such as Formosa Plastics and Nan Ya Plastics. The balance of Formosa Chemicals & Fibre's production of SM was sold to overseas manufacturers, primarily in the PRC and other Asian countries which accounted for 13.6 per cent. of its SM production for the year ended 31 December 2014.

Acetone. Formosa Chemicals & Fibre sells the acetone it produces to both domestic and export markets. Domestically, Formosa Plastics and Nan Ya Plastics were the two largest customers, accounting for 27.1 per cent. and 40.9 per cent. of its production of acetone for the year ended 31 December 2014, respectively, with 2.6 per cent. of its production sold to domestic companies outside of the Formosa Group. Formosa Chemicals & Fibre's largest export market for its production of acetone is the PRC, accounting for 24.2 per cent. of its production of acetone for the year ended 31 December 2014. 29.4 per cent. of its production was sold to the PRC and other Asian countries.

Plastics Products

ABS products. For the year ended 31 December 2014, Formosa Chemicals & Fibre sold 89.1 per cent. of the ABS it produced to overseas manufacturers, primarily in the PRC, Japan and the United States. The remaining ABS production was sold to domestic customers outside the Formosa Group.

PS pellets. For the year ended 31 December 2014, Formosa Chemicals & Fibre sold 78.9 per cent. of the PS it produced to overseas distributors and manufacturers, primarily in Hong Kong and the PRC (together accounting for 46.8 per cent. of its total production). The remaining PS production was sold to domestic customers outside of the Formosa Group.

PP products. Formosa Chemicals & Fibre sells the PP it produces to both domestic and overseas manufacturers. For the year ended 31 December 2014, 38.3 per cent. of the PP produced by Formosa Chemicals & Fibre was sold to domestic customers and 61.7 per cent. was sold overseas. Zheijiang Future Petrochemical Co., Ltd. was the largest customer, accounting for 8.1 per cent. of Formosa Chemicals & Fibre's total production of PP for the year ended 31 December 2014. In the export market, Formosa Chemicals & Fibre sold most of the PP it produced to plastics manufacturers in the PRC, Middle East and southeast Asia, accounting for 61.4 per cent. of Formosa Chemicals & Fibre's total production of PP for the year ended 31 December 2014.

PC products. For the year ended 31 December 2014, Formosa Chemicals & Fibre sold almost all of the PC products it produced to Formosa Idemitsu Petrochemical Corp., a joint venture formed by Formosa Chemicals & Fibre and Idemitsu Petrochemical Co., Ltd. A small remaining percentage of its PC production was consumed internally as raw materials.

Fibre and Textile Products

Rayon Staple Fibre. For the year ended 31 December 2014, 21.8 per cent. of the rayon staple fibre produced by Formosa Chemicals & Fibre was sold to domestic customers and 70.8 per cent. of its production was sold to overseas customers. For the same period, 7.4 per cent. of the rayon staple fibre production was supplied to Formosa Chemicals & Fibre's textile division for the production of downstream products. Formosa Chemicals & Fibre's largest export markets for rayon staple fibre include the PRC, Turkey, the United States, Middle East, Southeast Asia and also several European countries.

Nylon Filament. Formosa Chemicals & Fibre is one of the world's leading manufacturing of nylon filament. For the year ended 31 December 2014, 63.2 per cent. and 36.8 per cent. of Formosa Chemicals & Fibre's nylon filament production was sold to domestic customers and overseas manufacturers, respectively. Formosa Chemicals & Fibre's largest export markets for nylon filament include the PRC, Middle East and southeast Asia.

Spun Yarn. For the year ended 31 December 2014, 31.9 per cent. of the spun yarns produced by Formosa Chemicals & Fibre was sold to domestic customers and 64.7 per cent. of its production was sold to overseas customers. 3.4 per cent. of Formosa Chemicals & Fibre's production of spun yarn was supplied to its own textile division for internal consumption for the year ended 31 December 2014. Most of Formosa Chemicals & Fibre's export customers for spun yarn are located in developed countries such as Turkey, Korea and Japan and provide a relatively stable market.

Staple Fabric. Staple fabric is sold in both the domestic and export markets. For the year ended 31 December 2014, 83.7 per cent. of Formosa Chemicals & Fibre's staple fabric was sold to domestic customers. The remainder of Formosa Chemicals & Fibre's staple fabric production was exported, principally to the United States, Haiti and the PRC. For the same period, Nan Ya Plastics purchased 3.1 per cent. of Formosa Chemicals & Fibre's total production of staple fabric for use as backing cloth for PVC leather and polyurethane leather. The remainder of domestic sales and all export sales were to manufacturers.

Filament fabric. For the year ended 31 December 2014, 85.2 per cent. of Formosa Chemicals & Fibre's production of filament fabric was sold to domestic customers. Exports of filament cloth have increased in recent years due primarily to the development of new offshore customers.

Competition

Formosa Chemicals & Fibre competes primarily on the basis of price and quality of its products as well as the ability to meet customers' demands. Formosa Chemicals & Fibre believes that it enjoys a competitive advantage over competitors in its principal product markets due to its vertically integrated manufacturing process which has resulted in a stable and cost-effective source of supply of raw materials to its downstream production lines which in turn has given Formosa Chemicals & Fibre greater control over the quality of raw materials and reduced its reliance on imports.

Formosa Chemicals & Fibre believes that through its participation in the No. 6 Naphtha Cracker Complex and the construction of additional production plants in the No. 6 Naphtha Cracker Complex, it has been able to increase its production capacity of higher value-added products with special specifications to meet customers' demand which in turn has improved its profitability and competitiveness. Coupled with continued de-bottlenecking activities at its existing plants, it believes it will be able to enjoy further savings in production costs, improved productivity and economies of scale not achievable by plants with smaller capacities. In addition, Formosa Chemicals & Fibre believes that the operation of its in-house co-generation power plants has further lowered its costs of production.

Product Sector	Principal Geographical Markets	Principal Competitors
Petrochemical Products		
PTA	ROC, PRC	APCO, OPTC, Tuntex Petrochemical, Hengli, Xianglu, Yisheng, Samsung
Phenol	ROC, PRC	Chang Chun, TPCC
OX	ROC, PRC	Reliance
SM	ROC, PRC	TSMC, GPPC
Acetone	ROC, PRC	Chang Chun, TPCC
Plastics Products		
ABS	ROC, PRC	Chi Mei, GPPC, Delta
PS	ROC, PRC	Chi Mei, Delta, Kaofu
PP	ROC, PRC	LCY
PC	ROC	TDFJ, Bayer, SABIC
Fibre Products		
Nylon Filament	ROC, PRC	Li Peng, Zig Sheng, CYC
Rayon Stable Fibre	ROC, PRC, Pakistan	South Pacific Viscose, Grasim
Textiles Products		
Spun Yarn	ROC, PRC	Far Eastern Apparel, Tainan Textile
Staple Fabric	ROC, PRC	WaySon, U-Long, Maou Cheng Textile
Filament Fabric	ROC, PRC	Li Peng, FTC

Petrochemical Products

PTA. Formosa Chemicals & Fibre believes that it is the largest manufacturer of PTA in the ROC. For the year ended 31 December 2014, Nan Ya Plastics purchased a major proportion (17.6 per cent.) of Formosa Chemicals & Fibre's production of PTA. During the same period, most of the remaining production (28.9 per cent.) was sold to domestic manufacturers. In the domestic market, Formosa Chemicals & Fibre mainly competes with China American Petrochemical Co., Ltd, DuPont Far Eastern Petrochemicals Limited and Tuntex Petrochemical Inc.. In the export market, Formosa Chemicals & Fibre primarily competes with producers of PTA in Korea, Japan, the PRC and Indonesia.

Phenol. Formosa Chemicals & Fibre believes that it is the largest producer of phenol in the ROC, and the fourth largest producer of phenol in Asia. In the domestic market, in which it primarily competes with Chang Chun Petrochemical Co., Ltd. and Taiwan Prosperity Chemical Corporation. Formosa Chemicals & Fibre believes that it has an 37.1 per cent. domestic market share. In the export market, Formosa Chemicals & Fibre mainly competes with producers in the PRC, India and Korea.

OX. Formosa Chemicals & Fibre is the largest producer of OX in the ROC and one of the largest producers in Asia. It believes that it has an 88.9 per cent. share of the domestic market in the ROC and 16.0 per cent. share of the OX market in Asia. In the domestic market, Formosa Chemicals & Fibre primarily competes with Reliance Industries Limited. In the export market, Formosa Chemicals & Fibre primarily competes with producers in the PRC, Korea, Japan and India.

SM. Formosa Chemicals & Fibre believes that it is one of the largest manufacturers of SM in the ROC, with 44.7 per cent. market share in the domestic market. For the year ended 31 December 2014, Formosa Chemicals & Fibre utilized a major proportion (68.0 per cent.) of its production of SM internally as raw materials for production of PS and ABS and sold 18.4 per cent. in the domestic market, in which it competes mainly with Taiwan Styrene Monomer Corporation and

Grand Pacific Petrochemical Corporation. For the same period, only 13.6 per cent. of Formosa Chemicals & Fibre's production of SM was sold in the export market, in which it competes primarily with Korean and Japanese manufacturers.

Acetone. Formosa Chemicals & Fibre is one of the largest producers of acetone in the ROC, with 49.2 per cent. share in the domestic market, in which it primarily competes with Chang Chun Petrochemical Co., Ltd. and Taiwan Prosperity Chemical Corporation and other large domestic manufacturers. In the export market, it primarily competes against producers of acetone in Japan, the PRC and Korea.

Plastics Products

ABS products. With the completion of the No. 6 Naphtha Cracker Complex and the ABS plants within the complex, Formosa Chemicals & Fibre believes that it is able to compete effectively with existing manufacturers of ABS in the ROC and other producers in the export market. In the domestic market, Formosa Chemicals & Fibre believes that it has 28.5 per cent. market share and competes against several manufacturers including Chi Mei Corporation, Grand Pacific Petrochemical Corporation and Delta Electronics, Inc.. In the export market, it competes primarily with other producers in the PRC, the United States and other European countries.

PS pellets. Formosa Chemicals & Fibre believes that it is the largest producer of polystyrene in the ROC, having 49.3 per cent. share of the domestic market. Formosa Chemicals & Fibre primarily competes with Chi Mei Corporation, Delta Electronics, Inc. and Kaofu Chemical Corporation in the domestic market in the ROC. In the Asian export market, Formosa Chemicals & Fibre primarily competes with producers in Japan, the PRC and Korea. Outside of Asia, Formosa Chemicals & Fibre primarily competes with producers in the United States and several European countries.

PP products. Formosa Chemicals & Fibre believes that it is the third largest producer of PP in the ROC, with a domestic market share of 26.5 per cent.. Formosa Chemicals & Fibre primarily competes with LCY Chemical Corp. and Formosa Plastics in the domestic market in the ROC. In the export market, it primarily competes with producers in Japan, Korea and the PRC.

PC products. Formosa Chemicals & Fibre believes that it is the largest producer of PC in the ROC, with 29.9 per cent. of the domestic market. Formosa Chemicals & Fibre sells 100 per cent. of its production of PC to Formosa Idemitsu Petrochemical Corp., a joint venture formed by Formosa Chemicals & Fibre and Indemitsu Petrochemical Co., Ltd.. Formosa Chemicals & Fibre primarily competes with TDFJ Taiwan Limited, Bayer Taiwan Company Ltd. and SABIC Asia Pacific Pte Ltd. in the domestic market in the ROC. In the export market, it primarily competes with producers in Japan, Korea and the PRC.

Fibre and Textile Products

Nylon Filament. Formosa Chemicals & Fibre believes it has 41.5 per cent. share of the domestic nylon filament market, in which it competes against manufacturers including Li Peng Enterprise Co., Ltd, Zig Sheng Industrial Co., Ltd and Chain Yarn Corporation. In the overseas market, it competes with producers from Japan, South Korea and the PRC. Formosa Chemicals & Fibre believes that its ability to produce a wide range of diversified nylon products to satisfy customer demands gives it a competitive advantage over other nylon producers.

Rayon Staple Fibre. Formosa Chemicals & Fibre is the sole producer of rayon staple fibre in the ROC and primarily competes with overseas-based producers which export into the ROC. Competition is primarily on the basis of price, quality and ability to respond to customers' needs. Formosa Chemicals & Fibre believes that it has advantages over its competitors due to the low cost of its manufacturing operations and in terms of the quality and range of its products. In the export market, Formosa Chemicals & Fibre's main competitors include producers in India and Indonesia.

Spun Yarn. Formosa Chemicals & Fibre believes it has 3.8 per cent. share of the domestic spun yarn market. It believes that it is the fourth largest producer in the ROC and primarily competes against Far Eastern Apparel Co., Ltd., Tainan Textile Industry Co. and TaiYuen Textile Co.. In export markets, Formosa Chemicals & Fibre competes with the PRC, Indonesian, Indian and Vietnamese producers that benefit from significantly lower labor costs. Formosa Chemicals & Fibre competes on the basis of the quality and diversity of its products, which, it believes, allow it to obtain prices higher than those charged by other producers and maintain profitability. It emphasizes higher value-added products that are not currently produced in the PRC or other less developed Asian countries.

Staple Fabric. Formosa Chemicals & Fibre believes it is the largest producer in the ROC, in which it competes against WaySon Textile, U-Long High Tech Textile Co., Ltd and Maou Cheng Textile. Formosa Chemicals & Fibre has been facing increased competition from producers of staple fabric in southeast Asia (especially Indonesia) and the PRC who enjoy the benefit of lower labor costs and, in response, has focused on higher value-added, small-batch production products. 47.3 per cent. of Formosa Chemicals & Fibre's sales of staple fabric for the year ended 31 December 2014 were of such higher value products.

Filament Fabric. Formosa Chemicals & Fibre is one of largest producers of filament fabric in the ROC. Formosa Taffeta Co., Limited, 37.4 per cent. of the capital stock of which is owned by Formosa Chemicals & Fibre as at 31 December 2014, is the largest producer of filament fabric in the ROC, with a market share of 13.5 per cent. Formosa Chemicals & Fibre primarily competes with Formosa Taffeta Co., Limited and a small number of other producers including Li Peng Enterprise Co., Ltd and Zig Sheng Industrial Co., Ltd. In the export market, Formosa Chemicals & Fibre sells its filament cloth primarily to manufacturers in countries such as Japan, the United States, Hong Kong and the PRC.

Research and Development; Intellectual Property Rights

Formosa Chemicals & Fibre's research and development activities are conducted at two levels. Each manufacturing facility has its own research and development staff generally devoted to improving production processes and addressing specific technical problems. In addition, Formosa Chemicals & Fibre has a separate research and development department which, as at 31 December 2014 was comprised of 348 staff members responsible for developing new products and assisting the research and development staffs at the manufacturing facilities with respect to specific projects.

For the year ended 31 December 2014, the total amount spent on research and development by Formosa Chemicals & Fibre was NT$1,393.5 million, including costs for personnel and facilities.

All of the technology and technical know-how currently used by Formosa Chemicals & Fibre for its production processes has been developed or is owned by Formosa Chemicals & Fibre. There are licensing arrangements for the ARO-2, SM, phenol, PP and PC manufacturing processes. The ARO-2 manufacturing process of Formosa Chemicals & Fibre is currently licensed from UOP-USA. Formosa Chemicals & Fibre has entered into a non-exclusive licensing agreement with Raytheon-USA for the SM manufacturing process flow design at its SM plant in Mailiao. Formosa Chemicals & Fibre has also entered into a non-exclusive licence agreement with Lummus-USA for the manufacturing process and flow design, consultation and testing services relating to the production of phenol.

In the plastics segment, Formosa Chemicals & Fibre has also entered into licence agreements with an American manufacturer, namely, Cosden Technology, Inc. and some Japanese manufacturers, namely, JSR, CHISSO and Idemitsu Petrochemical Co., Ltd. for the production technologies for PS, ABS, PP and PC, respectively.

Properties and Facilities

Formosa Chemicals & Fibre operates 20 manufacturing plants and three co-generation power plants at five production sites in the ROC: Changhua, Ilan, Long De, Xingang and Mailiao. Formosa Chemicals & Fibre's manufacturing plants may be classified into the following general categories: aromatics (three), SM (two), phenol (one), PTA (two), ABS (two), PP (one), PC (one), rayon (two), nylon filament (three), nylon chip (one), textile (two) and engineering and utility (three). Formosa Chemicals & Fibre owns all of the facilities, property and equipment at all of its production sites and has its own maintenance crew for each site.

Production Capacity

The following table sets forth Formosa Chemicals & Fibre's annual production capacity for its principal products and average utilization rate of its production facilities for the periods indicated:

	Year ended 31 December		
	2012	**2013**	**2014**
Petrochemical Product			
Aromatic			
Capacity (MTY)	3,500,000	3,600,000	3,600,000
Average Utilization Rate (%)	92.5	99.5	102.9
SM			
Capacity (MTY)	1,320,000	1,320,000	1,320,000
Average Utilization Rate (%)	87.3	102.6	101.7
Phenol & Acetone			
Capacity (MTY)	711,000	711,000	711,000
Average Utilization Rate (%)	92.7	107.4	92.7
PTA			
Capacity (MTY)	2,200,000	1,800,000	1,800,000
Average Utilization Rate (%)	83.9	73.1	66.0
Plastics Product			
PS			
Capacity (MTY)	320,000	320,000	320,000
Average Utilization Rate (%)	93.2	96.5	91.4
ABS			
Capacity (MTY)	410,000	410,000	410,000
Average Utilization Rate (%)	85.4	93.8	96.6
PP			
Capacity (MTY)	510,000	510,000	510,000
Average Utilization Rate (%)	83.6	97.0	88.5
PC			
Capacity (MTY)	200,000	200,000	200,000
Average Utilization Rate (%)	79.0	88.0	92.4
Fibre Product			
Rayon Staple Fibre			
Capacity (MTY)	150,760	150,760	150,760
Average Utilization Rate (%)	68.2	78.9	82.3
Nylon Filament			
Capacity (MTY)	146,220	146,220	146,220
Average Utilization Rate (%)	89.1	93.5	78.0
Textile Product			
Spun Yarn			
Capacity (Bales)	72,000	72,000	72,000
Average Utilization Rate (%)	89.9	92.4	91.8
Staple Fabric			
Capacity (k-yards)	40,000	40,000	40,000
Average Utilization Rate (%)	73.5	69.9	72.7
Filament Fabric			
Capacity (k-yards)	21,000	21,000	22,000
Average Utilization Rate (%)	78.4	83.1	83.5

Expansion Plans

As part of its overall development plan, Formosa Chemicals & Fibre is actively planning to expand its production activities in the ROC and overseas, in particular, Southeast Asia and seeking new investment opportunities with a view to expand its scale of production and market share.

Employees

For the year ended 31 December 2014, the cost of labor accounted for 1.1 per cent. of Formosa Chemicals & Fibre's production costs. As at 31 December 2014, Formosa Chemicals & Fibre had 19,278 employees. The average employment period of its employees as at 31 December 2014 was fifteen years and their average age was 44.1. Approximately 69.6 per cent. of these employees belonged to a union and four unions represented these workers, one at each production site. To maintain good relations with its workforce, Formosa Chemicals & Fibre's management gives serious consideration to the views of the unions and frequently consults with the unions concerning such matters as the workers' needs and the direction of Formosa Chemicals & Fibre. Formosa Chemicals & Fibre has not had any strikes, and management believes that it enjoys good relations with its employees.

The ROC has experienced labor shortages in recent years and Formosa Chemicals & Fibre has permission to invite foreign workers into the ROC in order to deal with the general domestic labor shortage in the ROC.

Additional bonuses are available for middle management and profit sharing bonuses are used to provide incentives for top level management in the corporate staff. Many of Formosa Chemicals & Fibre's workers are highly skilled and Formosa Chemicals & Fibre seeks to achieve the appropriate balance between automation of its factories and the use of skilled employees to monitor its production processes.

Environmental and Other Regulatory Matters

Formosa Chemicals & Fibre is committed to environmental protection and invests heavily in waste reduction by recycling waste water and waste gas. Formosa Chemicals & Fibre is subject to regulation by the Environmental Protection Administration Executive Yuan ROC (Taiwan). The environmental protection bureau in each county where Formosa Chemicals & Fibre conducts manufacturing operations are responsible for enforcing such regulations. Except as discussed below, Formosa Chemicals & Fibre believes it is currently in substantial compliance with all applicable material environmental regulations. However, there can be no assurance that the ROC government will not impose new, stricter environmental regulations in the future which could require additional expenditure by Formosa Chemicals & Fibre on environmental protection.

As at 31 December 2014, Formosa Chemicals & Fibre had invested NT$14,297.0 million in pollution control, with all plants being certified by the ISO-14001 environmental management system. Formosa Chemicals & Fibre had also set up a task force for water and energy saving with the aim of improving resource and energy efficiency and reducing emissions.

The three main environmental concerns for Formosa Chemicals & Fibre are air emissions (from rayon staple fibre production and power generation), wastewater discharges (from rayon and nylon production, dyeing processes, PTA production and phenol production) and solid waste disposal from all production sites.

Air Emissions

Formosa Chemicals & Fibre has invested an aggregate amount of NT$2,743.9 million to date to reduce the emission of hydrogen sulphide and carbon disulphide from its rayon staple fibre production to reduce the SOX emission from power generation. As a result, the current emissions of hydrogen sulphide, carbon disulphide and SOX from its co-generation power plants are all considerably below applicable national standards and regulatory agency requirements.

Formosa Chemicals & Fibre plans to incur additional capital expenditure in the aggregate amount of NT$4,192.2 million in 2015 relating to air emission control, which should ensure Formosa Chemicals & Fibre's compliance with applicable national standards regarding NOX.

Waste Water

Formosa Chemicals & Fibre's main sources of waste water result from rayon staple fibre production, PTA production and phenol production, the dyeing process and nylon production, especially from the recovery of caprolactam. Formosa Chemicals & Fibre has invested an aggregate amount of NT$6,894.3 million to date for waste water treatment and expects to incur additional expenditure in the amount of NT$593.5 million for all of its production sites in 2015.

Solid Waste Disposal

For the disposal of miscellaneous solid waste, Formosa Chemicals & Fibre has installed a solid waste incinerator at each of its production sites.

Other Matters

Formosa Chemicals & Fibre believes it is in compliance with all material regulations regarding noise pollution and vibrations. Formosa Chemicals & Fibre has developed most of its environmental technology internally but to a limited extent is utilizing certain licensed technologies.

Legal Proceedings

As at the date of this Offering Circular, Formosa Chemicals & Fibre, is not involved in any material litigation or proceedings, nor is Formosa Plastics aware that any such proceedings are pending or threatened.

Subsidiaries and Investee Companies

The following table sets forth certain information as at 31 December 2014 regarding Formosa Chemicals & Fibre's principal subsidiaries and investee companies:

Name	Registered Office	Book Value of Formosa Chemicals & Fibre's Investment (NT$ million)	Percentage Interest Held by Formosa Chemicals & Fibre's[(1)]	Principal Business
Formosa Biomedical Technology Corporation	201 Tung Hwa North Road, Taipei, Taiwan, ROC	1,667.6	88.6%	Manufacturing and sale of cosmetics
Tah Shin Spinning Corporation	201 Tung Hwa North Road, Taipei, Taiwan, ROC	158.4	86.4%	Spinning
Formosa BP Chemicals Corporation	1-1 Formosa Plastics Group Industrial Zone, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	1,222.0	50.0%	Chemistry, international of petrochemistry
Formosa Idemitsu Petrochemical Corporation	201 Tung Hwa North Road, Taipei, Taiwan, ROC	585.3	50.0%	Wholesale and retail of petrochemical and plastic raw materials
Formosa Industries Corporation	Nhon Trach 3 Industrial Zone, Tong Nai Province, Vietnam	8,383.3	42.5%	Textile, polyester staple fibre, cotton
Formosa Taffeta Co., Limited	317 Shu Liu Rd. Touliu City, Yunlin Hsien	18,141.1	37.4%	Spinning
Formosa Heavy Industries Corporation	201 Tung Hwa North Road, Taipei, Taiwan, ROC	8,019.1	32.9%	Machinery
Formosa Petrochemical	1-1 Formosa Plastics Group Industrial Zone, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	58,478.5	24.4%	Chemistry
Mailiao Power Corporation	1-1 Formosa Plastics Group Industrial Zone, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	11,427.2	24.9%	Electricity generation

Note:

(1) Only in respect of interest directly held by Formosa Chemicals & Fibre.

Formosa Biomedical Technology Corp. ("Formosa Biomedical Technology") engages in the manufacturing and sale of cosmetics. As at 31 December 2014, the company had an issued share capital of NT$1,812.4 million. Formosa Chemicals & Fibre received stock dividends of NT$29.8 million from Formosa Biomedical Technology for the year ended 31 December 2014. As at 31 December 2014, Formosa Biomedical Technology owed Formosa Chemicals & Fibre NT$340.0 million. Formosa Chemicals & Fibre did not provide any guarantee for Formosa Biomedical Technology for the year ended 31 December 2014. For the year ended 31 December 2014 Formosa Biomedical Technology made a net income of NT$27.7 million

Tah Shin Spinning Corporation ("Tah Shin Spinning") engages in the business of spinning. As at 31 December 2014, the company had an issued share capital of NT$213.8 million. Formosa Chemicals & Fibre did not receive any dividends from Tah Shin Spinning for the year ended 31 December 2014. As at 31 December 2014, Tah Shin Spinning did not owe any debt to Formosa

Chemicals & Fibre. Formosa Chemicals & Fibre did not provide any guarantee for Tah Shin Spinning for the year ended 31 December 2014. For the year ended 31 December 2014 Tah Shin Spinning made a net loss of NT$6.9 million.

Formosa BP Chemicals Corporation ("Formosa BP") engages in the chemical and petrochemical business. As at 31 December 2014, the company had an issued share capital of NT$2,403.0 million. Formosa Chemicals & Fibre did not receive any dividends from Formosa BP for the year ended 31 December 2014. As at 31 December 2014, Formosa BP owed Formosa Chemicals & Fibre NT$845.6 million. Formosa Chemicals & Fibre did not provide any guarantee for Formosa BP for the year ended 31 December 2014. For the year ended 31 December 2014 Formosa BP made a net income of NT$286.6 million.

Formosa Idemitsu Petrochemical Corporation ("Formosa Idemitsu") engages in the wholesale and relate of petrochemicals and plastic of raw materials. As at 31 December 2014, the company had an issued share capital of NT$1,200.0 million. Formosa Chemicals & Fibre received stock dividends of U.S.$9.2 million from Formosa Industries for the year ended 31 December 2014. As at 31 December 2014, Formosa Idemitsu did not owe any debt to Formosa Chemicals & Fibre. Formosa Chemicals & Fibre did not provide any guarantee for Formosa Idemitsu for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Idemitsu made a net income of NT$559.6 million.

Formosa Industries Corporation ("Formosa Industries") engages in the production of textiles, polyester staple fibre and cotton. As at 31 December 2014, the company had an issued share capital of U.S.$700.0 million. Formosa Chemicals & Fibre received stock dividends of U.S.$9.2 million from Formosa Industries for the year ended 31 December 2014. As at 31 December 2014, Formosa Industries did not owe any debt to Formosa Chemicals & Fibre. Formosa Chemicals & Fibre provided a guarantee up to an aggregate amount of NT$4,485.6 million for Formosa Industries for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Industries made a net income of NT$1,135.3 million.

Formosa Taffeta Co., Limited ("Formosa Taffeta") engages in the business of spinning. As at 31 December 2014, the company had an issued share capital of NT$16,846.7 million. Formosa Chemicals & Fibre received dividends of NT$630.0 million from Formosa Taffeta for the year ended 31 December 2014. As at 31 December 2014, Formosa Taffeta did not owe any debt to Formosa Chemicals & Fibre. Formosa Chemicals & Fibre did not provide any guarantee for Formosa Taffeta for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Taffeta made a net income of NT$3,502.4 million.

Formosa Heavy Industries Corporation ("Formosa Heavy Industries") engages in the production and sale of machinery and equipment. As at 31 December 2014, the company had an issued share capital of NT$17,904.4 million. Formosa Chemicals & Fibre received stock dividends of NT$856.2 million from Formosa Heavy Industries for the year ended 31 December 2014. As at 31 December 2014, Formosa Heavy Industries owed Formosa Chemicals & Fibre NT$3,000.0 million. Formosa Chemicals & Fibre did not provide any guarantee for Formosa Heavy Industries for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Heavy Industries made a net income of NT$2,102.4 million.

For a description of Formosa Petrochemical, please see "Description of Formosa Petrochemical". Formosa Chemicals & Fibre received dividends of NT$5,807.0 million from Formosa Petrochemical in 2014. As at 31 December 2014, Formosa Petrochemical owed Formosa Chemicals & Fibre NT$2,500.0 million.

Mailiao Power Corporation ("Mailiao Power") engages in electricity generation. As at 31 December 2014, the company had an issued share capital of NT$20,000.0 million. Formosa Chemicals & Fibre received dividends of NT$1,346.9 million from Mailiao Power for the year ended 31 December 2014. As at 31 December 2014, Mailiao Power did not owe any debt to Formosa Chemicals & Fibre. Formosa Chemicals & Fibre did not provide any guarantee for Mailiao Power for the year ended 31 December 2014. For the year ended 31 December 2014, Mailiao Power made a net income of NT$6,534.5 million.

Formosa Chemicals & Fibre's equity interests in all of the subsidiaries and investee companies listed above have been paid in full.

MANAGEMENT OF FORMOSA CHEMICALS & FIBRE

Directors and Supervisors

The ROC Company Act and the Articles of Incorporation of Formosa Chemicals & Fibre provide that its Board of Directors is to be elected by its shareholders for three-year terms in a general shareholders' meeting at which a quorum, consisting of a majority of all issued and outstanding shares, is present. The Chairman is a Director elected by the Board. The fifteen-member Board of Directors of Formosa Chemicals & Fibre is responsible for the management of the business of Formosa Chemicals & Fibre.

Formosa Chemicals & Fibre currently has three Supervisors. Supervisors are typically elected at the time that Directors are elected. The Supervisors' duties and powers include, but are not limited to, investigation of Formosa Chemicals & Fibre's condition, inspection of Formosa Chemicals & Fibre's corporate records, attending meetings of the Board of Directors, verification of some statements by the Board of Directors prior to the regular shareholders' meetings, calling of shareholders' meetings, representing Formosa Chemicals & Fibre in negotiations with its Directors and notification, when appropriate, to the Board of Directors to cease acting in contravention of any applicable law or regulation or in contravention of its Articles of Incorporation or beyond the scope of its business. In accordance with the laws of the ROC relating to corporations, a Supervisor cannot concurrently serve as a Director, managerial officer or other staff member. The ROC Company Act requires at least one Supervisor be appointed at all times.

The term of office for the Directors and Supervisors is three years from the date of election. They may serve any number of consecutive terms and may be removed from office at any time by a resolution adopted at a shareholders' meeting. A Director or Supervisor being removed without a reason could claim for damages from Formosa Chemicals & Fibre. Normally, all Directors and Supervisors are elected at the same time.

Of the current Directors and Supervisors, Yu-Ray Chen and Wen-Hua Kung were elected in their capacity as representatives of Chang Gung Medical Foundation, Chu-Tsung Lee was elected in his capacity as a representative of Formosa Plastics, Ruey-Yu Wang was elected in his capacity as a representative of Nan Ya Plastics and Walter Wang was elected in his capacity as a representative of Formosa Petrochemical. A Director or Supervisor who serves as a representative of a legal entity may be removed or replaced at any time at the discretion of that legal entity, and the replacement Director or Supervisor may serve the remainder of the term of the office of the replaced Director or Supervisor.

The following table sets forth certain information relating to the Directors and Supervisors of Formosa Chemicals & Fibre for the month of December 2014.

Name	Position	Number of Shares Held Directly[(1)]	Number of Shares Held Through Spouse and Minor Children[(2)]
William Wong	Chairman	63,150,587	92,079
Chu-Tsung Lee[(3)]	Managing Director	198,743,936	–
Wilfred Wang	Managing Director	16,819,721	140,446
Ruey-Yu Wang[(4)]	Managing Director	140,519,648	–
Ruey-Long Chen	Independent Director	–	–
Fu-Yuan Hong	Director	272,804	1,107
Walter Wang[(5)]	Director	48,567,575	–
Hung-Chi Yang	Director	152,289	612
Chiu-Ming Chen	Director	79,627	6,306
Dong-Terng Huang	Director	34,410	–
Jiann-Jn Wu	Director	28,616	17,651
Sun-Ju Lee	Director	15,450	5,150
Ing-Dar Fang	Director	73	–
Tzong-Yeong Lin	Independent Director	–	–
Kung Wang	Independent Director	–	–
Yu-Ray Chen[(6)]	Supervisor	1,089,142,009	–
Wen-Hua Kung[(6)]	Supervisor	1,089,142,009	–
Shui-Wen Hou	Supervisor	27,267	–

Note:

(1) In the case of a Director who is a representative of a legal entity, the number of this column only includes the number of shares held by the corporate shareholder.

(2) Applies to a Director or Supervisor serving in his or her individual capacity only.

(3) Representative of Formosa Plastics.

(4) Representative of Nan Ya Plastics

(5) Representative of Formosa Petrochemical.

(6) Representative of Chang Gung Medical Foundation.

Set forth below is a short biography of each of the Directors and Supervisors of Formosa Chemicals & Fibre. All of them were elected for their present term on 15 June 2012.

Mr. William Wong is the Chairman of the Board of Directors of Formosa Chemicals & Fibre. For his biography, please refer to "Description of Formosa Plastics – Management of Formosa Plastics".

Mr. Chu-Tsung Lee is a Managing Director. He also serves as the Chairman of the Board of Formosa Plastics Corporation.He graduated from National Cheng Kung University.

Mr. Wilfred Wang is a Managing Director. For his biography, please refer to "Description of Formosa Plastics – Management of Formosa Plastics".

Ms. Ruey-Yu Wang is a Managing Director. She is also the Chairman of Formosa Biomedical Technology Corp and a Managing Director of Formosa Chemicals & Fibre. She holds a master's degree from National Taiwan University.

Mr. Ruey-Long Chen is an Independent Director. He also serves as the Chairman of the Board of SINOCON Industrial Standards Foundation. He graduated from National Chung Hsing University.

Mr. Fu-Yuan Hong is a Director. He also serves as the President of Formosa Chemicals & Fibre. He is also the director of many affiliated companies of Formosa Chemicals & Fibre. He assists Mr. William Wong, the Chairman of Formosa Chemicals & Fibre in managing the whole business. He graduated from Chung Yuan Christian University in the ROC.

Mr. Walter Wang is a Director. He also serves as the Chairman of J-M Manufacturing Co., Inc.. He graduated from University of Berkeley.

Mr. Hung-Chi Yang is a Director. He also serves as a Consultant of Formosa Chemicals & Fibre. He graduated from the National Cheng Kung University in the ROC.

Mr. Chiu-Ming Chen is a Director. He also serves as an Executive Vice President of Formosa Chemicals & Fibre. He graduated from the National Taiwan University in the ROC.

Mr. Dong-Terng Huang is a Director. He also serves as an Executive Vice President of Formosa Chemicals & Fibre. He graduated from the National Taipei University of Technology in the ROC.

Mr. Jiann-Ju Wu is a Director. He graduated from National Cheng Kung University.

Mr. Sun-Ju Lee is a Director. He also serves as a Senior Vice President of Formosa Plastics Group Administration. He graduated from National Chengchi University.

Mr. Ing-Dar Fang is a Director. He also serves as a Senior Vice President of Formosa Chemicals & Fibre. He graduated from Chinese Culture University.

Mr. Tzong-Yeong Lin is an Independent Director. He also serves as the Chairman of the Board of HAKIM Co., Ltd. He holds a master's degree from National Taiwan University.

Mr. Kung Wang is an Independent Director. He also serves as a professor of University of Science and Technology of China. He holds a doctor's degree from Massachusetts Institute of Technology.

Mr. Yu-Ray Chen is a Supervisor. He also serves as the President of Policymaking Committee of Chang Gung Medical Foundation. He holds the title of academician in American Society of Plastic Surgeons.

Mr. Wen-Hua Kung is a Supervisor. He also serves as the Director of Administrative Centre of Chang Gung Medical Foundation. He graduated from Chang Gung University.

Mr. Shui-Wen Hou is a Supervisor. He also serves as a Senior Vice President of Formosa Plastics Group Administration. He graduated from National Cheng Kung University.

Executive Officers

The executive officers of Formosa Chemicals & Fibre are appointed by the Board of Directors of Formosa Chemicals & Fibre. The following table sets forth certain information relating to the executive officers of Formosa Chemicals & Fibre for the month of December 2014.

Name	Position	Number of Shares Held Directly	Number of Shares Held Through Spouse and Minor Children
Fu-Yuan Hong	President	272,804	1,107
Chiu-Ming Chen	Executive Vice President	79,627	6,306
Dong-Terng Huang	Executive Vice President	34,410	–
Ing-Dar Fang	Senior Vice President	73	–
Wen-Chin Lu	Senior Vice President	3,236	–
Pan-Chin Hua	Vice President	–	–
Chih-Hsiung Chen	Vice President	4,141	1,822
Tsung-Yuan Chang	Vice President	–	5,239
Ching-Fen Lee	Vice President	–	124
Fu-Lai Tsu	Vice President	34,417	–
Chun-Jung Su	Vice President	–	–
Ching-Shih Lin	Vice President	32,116	–
Cheng-Chieh Yang	Financial Manager	115	–
Chia-Ju Liu	Accounting Manager	487	10,802

Compensation of Directors and Supervisors

No remuneration was paid to the Directors and Supervisors of Formosa Chemicals & Fibre for the year ended 31 December 2014, and the payment of employee cash bonuses of NT$24.3 million will be submitted to shareholders in May 2015. Formosa Chemicals & Fibre does not have a stock option plan.

PRINCIPAL SHAREHOLDERS OF FORMOSA CHEMICALS & FIBRE

The following table sets forth certain information for the month of December 2014 with respect to shares owned by each person who, according to the records of Formosa Chemicals & Fibre, beneficially owned 10 per cent. or more of the shares of Formosa Chemicals & Fibre. Beneficial ownership includes ownership by such person's spouse and minor children.

Name of Shareholder	Number of Shares	Percentage of Total Issued and Outstanding Shares
Chang Gung Memorial Hospital	1,089,142,009	18.6%

Apart as set out above, no shareholder owned 10 per cent. or more of the outstanding shares of Formosa Chemicals & Fibre.

RECENT DEVELOPMENT

Formosa Chemicals & Fibre is a party to the Vietnam Project. For further details in relation to the Vietnam Project, please refer to "Description of Formosa Plastics – Recent Development".

DESCRIPTION OF FORMOSA PETROCHEMICAL

BUSINESS

Overview

Formosa Petrochemical is involved primarily in the business of refining crude oil, selling refined petroleum products and producing and selling olefins (including ethylene, propylene, butadiene and BTX) from its naphtha cracking operations. It has three main business segments – refinery of petroleum, production of olefins products and production of public utilities which produces and sells water, electricity and steam. Its public utility segment's key role is to provide utilities to refinery, naphtha cracking operations and other companies in the Mailiao Complex. Its refined petroleum products are both sold domestically and overseas. Formosa Petrochemical is also the largest olefins producer in the ROC. For the year ended 31 December 2014, Formosa Petrochemical's total operating revenues were NT$913,085.3 million (U.S.$28,895.1 million) and its net income was NT$9,069.6 million (U.S.$287.0 million). Revenues from the sale of Formosa Petrochemical's refined petroleum products, olefins products and utilities represented 66.8 per cent., 28.5 per cent. and 4.3 per cent., respectively of total operating revenues, with other products and services representing 0.4 per cent of Formosa Petrochemical's total operating revenues for such period.

A significant proportion of Formosa Petrochemical's revenue are from the domestic market in the ROC. Domestic sales accounted for 54.6 per cent. of Formosa Petrochemical's total operating revenues for the year ended 31 December 2014. Philippines and Singapore are the next biggest markets after the ROC for Formosa Petrochemical, accounting for 11.8 per cent. and 10.9 per cent. respectively of Formosa Petrochemical's total operating revenues for the year ended 31 December 2014.

Formosa Petrochemical's principal refined petroleum products include gasoline, gasoil, naphtha, fuel oil (including pyrolysis fuel oil), jet fuel/kerosene and liquefied petroleum gas ("LPG"). Some of these products are then sold to the retail market through gasoline service stations, including those owned by Formosa Petrochemical's direct subsidiary, Formosa Oil, its indirect subsidiary, Whale Home, and its affiliate Formosa Taffeta as well as franchise gasoline service stations owned by unrelated third parties. Refined petroleum products are produced in Formosa Petrochemical's oil refinery located within the No. 6 Naphtha Cracker Complex.

Formosa Petrochemical's principal olefins products include ethylene, propylene, butadiene and BTX. Formosa Petrochemical currently operates three naphtha crackers in the No. 6 Naphtha Cracker Complex, with a combined ethylene nameplate capacity of 2.935 million MTY. Almost all of Formosa Petrochemical's ethylene and propylene production is sold to companies within the Formosa Group (in particular, Formosa Chemicals & Fibre and Formosa Plastics) for further downstream processing.

The principal products of Formosa Petrochemical's utilities division are electricity and steam. Formosa Petrochemical currently operates three co-generation power plants, all of which are coal-fired, with a combined installed capacity of 2,820 MW.

In addition to its three operating business divisions, Formosa Petrochemical also has an engineering division and a maintenance division. Formosa Petrochemical's engineering division typically carries out planning, engineering and construction tasks. Its maintenance division provides day-to-day maintenance services for Formosa Petrochemical's existing facilities.

As at 31 December 2014, Formosa Petrochemical employed 4,864 employees, of which 454 were employed in its petrochemicals division, 1577 in the refinery division and 585 were employed in its utilities division.

Formosa Petrochemical's registered address is 1-1, Formosa Plastics Group Industrial Zone, Mailiao, Yun Lin County, Taiwan.

Formosa Petrochemical was incorporated in 6 April 1992 as a company organized under the laws of the ROC. Formosa Petrochemical's initial shareholders were Formosa Plastics (31.8 per cent.), Nan Ya Plastics (26.2 per cent.), Formosa Chemicals & Fibre (27.6 per cent.) and Formosa Taffeta (4.0 per cent.), with certain other entities in the Formosa Group and certain employees of Formosa Petrochemical holding the remainder. The shareholdings of the initial shareholders were sold down, when 179,500,000 Common Shares were offered to the public in the ROC and the Common Shares were listed on the TSE and offered to the public in the ROC on 26 December 2003. As at the date of this Offering Circular, Formosa Petrochemical's total market capitalization was NT$688.7 billion.

History

Certain key dates in the history of Formosa Petrochemical include:

April 1992	Formosa Petrochemical was established through joint investments from Formosa Plastics, Nan Ya Plastics, Formosa Chemicals & Fibre, Formosa Taffeta and others.
July 1994	Construction of the No. 6 Naphtha Cracker Complex commenced.
November 1998	Formosa Petrochemical obtained operating licenses for five co-generation power units.
December 1998.....	Formosa Petrochemical's No. 1 naphtha cracking plant, with ethylene nameplate capacity of 450,000 MTY, was commissioned.
January 1999	Construction on Formosa Petrochemical's No. 1 naphtha cracking plant was completed and commercial operation began.
February 2000	Construction on Formosa Petrochemical's No. 1 and No.2 co-generation power plant, with an installed total electricity generation capacity of 900 MW, was completed and commercial operation began.
March 2000	Phase 1 of Formosa Petrochemical's oil refinery, with a nameplate processing capacity of 150,000 barrels of crude oil per day, was completed, and began commercial production.
October 2000........	Construction of Formosa Petrochemical's No. 3 co-generation power plant, with an installed electricity generation capacity of 320 MW, was completed, and commercial operation began.
December 2000.....	Formosa Petrochemical's No. 2 naphtha cracking plant, with ethylene nameplate capacity of 900,000 MTY, was completed and began commercial production.

April 2001	Phase 2 of Formosa Petrochemical's oil refinery, with a nameplate processing capacity of 150,000 barrels of crude oil per day, was completed, and began commercial production.
November 2001	Phase 3 of Formosa Petrochemical's oil refinery, with a nameplate processing capacity of 150,000 barrels of crude oil per day, was completed, and began commercial production. Thus, Formosa Petrochemical's total nameplate processing capacity for its oil refinery increased to 450,000 barrels of crude oil per day.
November 2002	Capacity de-bottlenecking of Formosa Petrochemical's No. 1 naphtha cracking plant was completed, increasing such plant's ethylene nameplate capacity to 700,000 MTY and Formosa Petrochemical's total ethylene nameplate capacity to 1.6 million MTY.
June 2003	Construction of Formosa Petrochemical's No. 2 co-generation power plant unit 2, with an installed electricity generation capacity of 600 MW, was completed and commercial operation began.
December 2003.....	Formosa Petrochemical's initial public offering was completed, and the Common Shares were listed on the TSE.
June 2004	Issued U.S.$250 million convertible/exchangeable notes
September 2004....	Received Ministry of Economics' award for Energy Conservation Excellence for 2004.
November 2005	Received CNLA certification for LPG products.
December 2005.....	No. 2 Naphtha Cracker single day cracking volume up to approximately 3,490 ton, highest since commissioning.
January 2007	Invested in FPCC USA, INC. to develop upstream E&P work.
September 2007....	Construction of No. 3 Naphtha Cracker with ethylene nameplate capacity of 1.2 million MTY completed and began commercial operation.
November 2007	Underground pipeline connecting Mailiao Industrial Complex to Taipei Port completed and began transporting petroleum product.
August 2010	Construction of Base Oil unit completed and commercial operations began.
December 2012.....	Received Award for International Trade by Ministry of Economics.
March 2013	No. 2 Naphtha Cracker received Ministry of Economics' award for Water Conservation Reduction.
August 2013	Joint Venture with Kraton Performance Polymers, Inc. to establish Kraton Formosa Polymers Corporation.
December 2013.....	No. 3 Naphtha Cracker received Ministry of Economics' award for Industrial GHG Voluntary Reduction. No. 3 Naphtha Cracker received Ministry of Economics' award for Water Conservation Reduction.

Competitive Strengths

Asia's only listed fully integrated petroleum refinery, naphtha cracker and utilities company

Formosa Petrochemical is Asia's only listed company with fully integrated petroleum refinery, naphtha cracking and utilities operations. Formosa Petrochemical's petroleum refinery operations produces gasoline, gasoil, naphtha, fuel oil, jet fuel/kerosene and LPG. Almost all of the naphtha produced by Formosa Petrochemical's petroleum refinery complex is consumed internally as feedstock for Formosa Petrochemical's naphtha cracking operations. All of the electricity, steam, ultra-pure water, compressed air, industrial water and other utilities required by Formosa Petrochemical's petroleum refining and naphtha cracking activities are supplied by three coal-fired co-generation power plants that Formosa Petrochemical owns and operates. Formosa Petrochemical's high level of internal integration with respect to its petroleum refining, naphtha cracking and power and steam generation businesses allows it to be less dependent on outside sources for raw materials and utilities supplies, and provides a ready-made market for some of the products produced in Formosa Petrochemical's petroleum refinery, naphtha cracking and utilities businesses. Having its own steady supply of raw materials allows Formosa Petrochemical to weather any unexpected shortages of, or sharp increases in the prices of, raw materials, such as naphtha, which is a key advantage in cyclical industries such as the petroleum refining and petrochemical industries. Such self sufficiency allows Formosa Petrochemical to better control raw materials costs, maintain its profit margins and help ensure continuous operations.

Leading upstream petrochemical operator, with world-class production facilities

Formosa Petrochemical is one of the largest and most efficient upstream petrochemical operators in Asia. Formosa Petrochemical's revenues for the years ended 31 December 2013 and 2014 amounted to NT$931.3 billion and NT$913.1 billion, respectively. Formosa Petrochemical's oil refinery complex has a total nameplate capacity of 540,000 barrels per day. Formosa Petrochemical's three naphtha crackers have a combined ethylene capacity of 2.935 million MTY. It is the largest single-site ethylene complex in the world. In building its petroleum refinery, Formosa Petrochemical acquired facilities and equipment which are sophisticated enough to process cheaper sour crude oil, providing the company more flexibility in selecting which crude oils to process and which have an extremely high conversion rate, giving it the ability to crack higher volumes of residual oil (a low value product) into other, high value products. The sophistication of its refining equipment provides Formosa Petrochemical with the ability to achieve a higher value-added product mix in its refined petroleum products and to achieve an average cash processing cost that is lower than many of its regional peers. This gives Formosa Petrochemical more flexibility to manage its product mix in accordance with market conditions and to maximize profit.

Full downstream integration with other companies in the Formosa Group

The four core companies in the Formosa Group are Formosa Petrochemical, Formosa Plastics, Nan Ya Plastics and Formosa Chemicals & Fibre. Of all the four companies' businesses, Formosa Petrochemical's petroleum refining and naphtha cracking businesses are the furthest upstream. To a large extent, the businesses of Formosa Petrochemical have been vertically integrated with the downstream businesses of the other three companies. For example, Formosa Plastics and Formosa Chemicals & Fibre purchase a significant proportion of their raw materials from Formosa Petrochemical. Formosa Petrochemical believes vertical integration with its affiliate companies with facilities located in the No. 6 Naphtha Cracker Complex provides for prompt delivery and helps the company save on transportation costs. Formosa Petrochemical believes such downstream integration with companies in the Formosa Group, which share a certain common culture, identity and ultimate ownership and offer logistical benefits, provides it a significant advantage over third party sellers of petrochemical and olefin products. Such downstream integration also provides

Formosa Petrochemical with a higher level of stability and predictability in terms of its operating revenues, as these downstream companies provide captive demand for some of the sales of Formosa Petrochemical.

Competitive and sustainable cost structure

Formosa Petrochemical's cost structure is very competitive and in many respects lower than the costs structure of its competitors. First, because of its internal vertical integration, Formosa Petrochemical's production costs are lower compared with its competitors. For example, electricity and steam are generated internally by the power plants, and a significant proportion of naphtha feedstock is sourced internally from the refined petroleum products. Second, the location of the No. 6 Naphtha Cracker Complex in Mailiao is ideally suited to allow Formosa Petrochemical to benefit from the economies of scale generated by companies within the Formosa Group. For example, raw materials required by Formosa Petrochemical, like crude oil and coal, can be unloaded at Mailiao Harbor, which is controlled by companies within the Formosa Group, and which is very near to Formosa Petrochemical's production facilities, thereby lowering transportation costs such as loading, storage handling and other logistical fees. Third, the engineering and construction costs of Formosa Petrochemical's petroleum refinery complex, its naphtha crackers and its power plants, are all considerably lower than the costs of its competitors, for facilities of comparable size and configuration. This is because most of the construction has been carried out internally, with help from Formosa Heavy Industries Corporation. Fourth, Formosa Petrochemical's close integration with other companies within the Formosa Group allows it to access other ancillary services provided by companies within the Formosa Group, for example oil tankers for transport of crude oil from overseas, oil tanker trucks for land transportation within the ROC, pipelines and engineering and construction expertize. Formosa Petrochemical's costs competitiveness means that it is able to consistently achieve higher margins, compared with competitors who have a higher cost base.

Having its own co-generation plant for electricity and steam

Stable electricity supply is vital to the petrochemical plant. Formosa Petrochemical's co-generation power plant generates electricity and steam not only needed by the refinery and naphtha cracking activities, but also Mailiao Complex, which provides strong and stable cash flows to Formosa Petrochemical.

Seasoned management and proven execution capabilities

Formosa Petrochemical can draw upon the experience and expertize of managers from other companies within the Formosa Group. Most of Formosa Petrochemical's current Board of Directors and members of its present senior management are from companies within the Formosa Group, primarily Formosa Plastics. Collectively, they have over decades of experience in the petroleum and petrochemicals businesses. Companies within the Formosa Group also traditionally have a reputation for sound management and strong execution expertize. For example, Formosa Petrochemical's current Board of Directors and senior management have proven their strong execution capabilities by successfully leading Formosa Petrochemical through the design, planning, construction and operation of large projects like the No. 6 Naphtha Cracker Complex.

Strategy

Formosa Petrochemical's aim is to consolidate its position as Asia's only vertically integrated crude oil refinery and naphtha cracker, and to become one of the world's leading producer of refined petroleum products and olefins products. Formosa Petrochemical will also continue to concentrate on producing higher quality and higher margin refined petroleum products and olefins products at competitive prices by taking advantage of its advanced production facilities, its production process know-how and the built-in demand for its products from downstream companies within the Formosa Group. Formosa Petrochemical's strategy is to capitalize on these strengths by means of the following:

Develop higher value-added product mix, including environmentally-friendly fuel and gasoil

Formosa Petrochemical intends to increase the proportion of higher value-added products within its products portfolio. With its advanced equipment and production processes, Formosa Petrochemical is able to achieve a higher value-added product mix in respect of its refined petroleum products, giving Formosa Petrochemical the flexibility to optimize its product yield in accordance with market demand. Formosa Petrochemical also intends to develop more environmentally-friendly fuel and gasoil in anticipation of a change in ROC law, which will increase demand for such fuels. Development of such environmentally-friendly fuel and gasoil would also increase Formosa Petrochemical's ability to increase sales of its products to countries which have more stringent environmental regulations.

Expand production capacity to consolidate economies of scale and lower unit production costs

Formosa Petrochemical's low cost production base is partly a result of its newer, advanced production equipment and partly a result of the economies of scale offered by its large production volume. Formosa Petrochemical intends to expand the production capacity of both its petroleum refinery complex and its naphtha cracking operations, through debottlenecking and possibly through construction of new facilities. Formosa Petrochemical believes that there is sufficient demand for its refined petroleum and olefins products, especially from companies in the PRC and from companies within the Formosa Group, for it to expand its production capacity significantly.

Expand share of domestic gasoline and gasoil market and venture into new export markets

Formosa Petrochemical intends to expand its market share of the ROC domestic gasoline and gasoil market. Formosa Petrochemical views this segment of the market as one that may be attractive in terms of profit margins and which will continue to contribute steady revenues to Formosa Petrochemical. With respect to its export markets, Formosa Petrochemical plans to consolidate its market share of exports to Southeast Asian countries such as Philippines, Vietnam and Indonesia. It plans to strengthen cooperation with international major oil suppliers to open up Western markets for exports, as well as increase exports of gasoil to emerging markets such as the Middle East, South America and Africa.

Products

Formosa Petrochemical produces and markets three major types of products: refined petroleum products, olefins products and utilities products.

Formosa Petrochemical refines crude oil and sells the products of such refining operations. Refined petroleum products produced by Formosa Petrochemical include gasoline, gasoil, naphtha, jet fuel/kerosene, LPG and certain other products. Refined petroleum products are Formosa Petrochemical's largest contributor to revenues. Sales of refined petroleum products contributed 68.5 per cent., 68.1 per cent. and 66.8 per cent. of Formosa Petrochemical's total revenues for the years ended 31 December 2012, 2013 and 2014, respectively.

Formosa Petrochemical produces and sells olefins including ethylene, propylene and butadiene and BTX. Olefins products are Formosa Petrochemical's second largest contributor to revenues. Sales of olefins products contributed 26.7 per cent., 27.1 per cent. and 28.5 per cent. of Formosa Petrochemical's total revenues for the years ended 31 December 2012, 2013 and 2014, respectively.

Formosa Petrochemical also produces and sells utilities products, including electricity and steam. Sales of such products contributed 4.5 per cent., 4.5 per cent. and 4.3 per cent. of Formosa Petrochemical's total revenues for the years ended 31 December 2012, 2013 and 2014, respectively.

Formosa Petrochemical also derives revenues from harbor administration fees for the administration of the Mailiao Harbor which involves loading/unloading and storage activities. Sales of such products and services contributed 0.3 per cent., 0.3 per cent., and 0.4 per cent. of Formosa Petrochemical's total revenues for the years ended 31 December 2012, 2013 and 2014, respectively.

The following tables set forth the revenues contributed by each of Formosa Petrochemical's product types to its operating revenues and the percentage of Formosa Petrochemical's total operating revenues they represent for the periods indicated:

	Year ended 31 December						
	2012		2013		2014		
	NT$ (millions)	*%*	*NT$ (millions)*	*%*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
Refined petroleum	612,764.6	68.5	633,877.5	68.1	610,015.1	19,304.3	66.8
Olefins	238,301.5	26.7	252,388.3	27.1	260,529.5	8,244.6	28.5
Utilities	40,408.8	4.5	42,112.3	4.5	39,556.7	1,251.8	4.3
Others[(1)]	2,902.8	0.3	2,955.8	0.3	2,984.0	94.4	0.4
Total	894,377.7	100.0	931,333.9	100.0	913,085.3	28,895.1	100.0

Note:

(1) "Others" include revenues from maintenance services, harbor administration services (such as loading, unloading, and storage fees) and sales of certain other products (such as C4, CO, and industrial water).

Refined petroleum products

Formosa Petrochemical's principal refined petroleum products include gasoline, gasoil, naphtha, fuel oil, jet fuel/kerosene and LPG. The following table sets forth the sales volumes and sales revenues of each of Formosa Petrochemical's refined petroleum products and the percentage of total operating revenues from refined petroleum products provided by each product for the periods indicated:

	Year ended 31 December									
	2012			2013			2014			
	Volume	*NT$ (millions)*	*%*	*Volume*	*NT$ (millions)*	*%*	*Volume*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
Gasoline	5,274,000kL	135,062.0	22.0	5,181,000kL	131,871.2	20.8	5,369,000	128,979.2	4,081.6	21.1
Gasoil	9,730,000kL	234,122.7	38.2	10,437,000kL	245,562.5	38.7	11,098,000	244,935.3	7,751.1	40.2
Jet fuel/Kerosene	2,226,000kL	53,231.4	8.7	2,588,000kL	60,195.5	9.5	2,550,000	56,729.1	1,795.2	9.3
Others[(1)]	–	190,348.5	31.1	–	196,248.3	31.0	–	179,371.5	5,676.3	29.4
Total	–	612,764.6	100.0	–	633,877.5	100.0	–	610,015.1	19,304.3	100.0

Note:

(1) "Others" include revenues from LPG, Naphtha, Base Oil etc..

Formosa Petrochemical refines crude oil into refined petroleum products at its refinery inside the No. 6 Naphtha Cracker Complex.

Crude oil can be refined into various petroleum products, which can be broadly categorized into light oils, middle distillates and heavy oils. Examples of light oils include propane, butane, naphtha and gasoline. Examples of middle distillates include jet fuel, kerosene and gasoil. Examples of heavy oils include fuel oils, asphalt and pyrolysis fuel oil. The proportion of the various types of petroleum products that can be refined from a single stream of crude oil depends on the mix and quality of the feedstock, and the specifications of the refinery facilities. A key competitive advantage of Formosa Petrochemical's petroleum refinery operation is its flexibility in feedstock selection. In building its petroleum refinery, Formosa Petrochemical deliberately acquired facilities and equipment able to refine and optimize the yield rate of cheaper heavy/sour crude oil from countries in the Middle East such as Saudi Arabia, Kuwait, UAE and Iraq. Formosa Petrochemical's yield rate for the less profitable fuel oil can be minimized to 3 per cent. even when refining heavy/ sour crude due to its ability to crack higher volumes of residual oil into other, higher value products, while older, simpler refineries' yield rate for fuel oil would be significantly higher. Sophisticated facilities not only give Formosa Petrochemical flexibility and cost advantage in choosing raw materials, but also maximize its product value, providing it with an advantage over other refineries.

Gasoline. Gasoline is a type of light oil that has a boiling range between 365 degrees Fahrenheit (185 degrees Celsius) to 374 degrees Fahrenheit (190 degrees Celsius) at the 90 per cent. recovery point. It is used primarily as fuel for the internal combustion engines of automobiles. Modern gasolines tend to be blends of petroleum liquids (such as hexane, heptane and octane) which are produced in several different processes and which generally contain additives. Formosa Petrochemical produced 5,339,000 kL, 5,267,000 kL and 5,402,000 kL of gasoline in the years ended 31 December 2012, 2013 and 2014, respectively. Gasoline is Formosa Petrochemical's second largest product by revenues. Formosa Petrochemical sells all of its refined petroleum products wholesale. These products are then sold to the retail market through gasoline service stations, including those owned by Formosa Petrochemical's direct subsidiary, Formosa Oil, its indirect subsidiary, Whale Home, and its affiliate Formosa Taffeta as well as franchise gasoline service stations owned by unrelated third parties. Formosa Petrochemical's gasoline is also sold to industrial users and wholesalers both domestically and throughout the region.

Gasoil. Gasoil, also known as diesel, is a liquid petroleum distillate having a viscosity intermediate between that of kerosene and lubricating oil. Formosa Petrochemical produced 9,717,000 kL, 10,580,000 kL and 10,825,000 kL of gasoil in the years ended 31 December 2012, 2013 and 2014, respectively. Gasoil is the single largest product by revenues in Formosa Petrochemical's refinery division. Formosa Petrochemical's gasoil is sold domestically to retail users through the same gas stations which sell Formosa Petrochemical's gasoline. Formosa Petrochemical's gasoil is also sold to industrial users and wholesalers both domestically and throughout the region.

Naphtha. Naphtha is a refined or partly refined distillate derived from crude oil or natural gas, with a boiling range of between 81 degrees Fahrenheit (27 degrees Celsius) and 430 degrees Fahrenheit (221 degrees Celsius). It is used as feedstock for the production of downstream petrochemicals. Formosa Petrochemical produced 3.635 million MT, 3.611 million MT and 3.518 million MT of naphtha in the years ended 31 December 2012, 2013 and 2014, respectively. Naphtha is one of Formosa Petrochemical's most important products. Almost all of the naphtha produced by Formosa Petrochemical is consumed as feedstock either by Formosa Petrochemical at its three naphtha crackers or at facilities owned by other companies within the Formosa Group. Although Formosa Petrochemical still needs to import naphtha feedstock for its three naphtha crackers, the naphtha produced by its refinery has allowed it to lessen its dependence on such imports.

Jet fuel/kerosene. Jet fuel is either a naphtha-type or a kerosene-type fuel suitable for commercial or military aviation purposes and used in aircraft turbine engines. Kerosene is a light petroleum distillate that has a maximum distillation temperature of 400 degrees Fahrenheit (204 degrees Celsius) at the 10 per cent. recovery point, a final boiling point of 520 degrees Fahrenheit (284 degrees Celsius), and a minimum flash point of 100 degrees Fahrenheit (38 degrees Celsius). Kerosene's specific gravity is in the region of 0.80. It is mainly used as a heating fuel and as a fuel for certain types of internal combustion engines. Formosa Petrochemical produced 2,282,000 kL, 2,586,000 kL and 2,512,000 kL of jet fuel/kerosene in the years ended 31 December 2012, 2013 and 2014, respectively. Jet fuel/kerosene is an important product in Formosa Petrochemical's refinery division. Formosa Petrochemical's jet fuel/kerosene is sold to airlines and other industrial users, as well as wholesalers, both domestically and throughout the region.

Others

LPG. LPG are light saturated paraffinic hydrocarbons derived from the refinery processes, crude oil stabilization and natural gas processing plants. They consist mainly of propane (C_3H_8) and butane (C_4H_{10}) or a combination of the two. They are normally liquefied under pressure for transportation and storage. Formosa Petrochemical produced 504,407 MT, 503,159 MT and 533,062 MT of LPG in the years ended 31 December 2012, 2013 and 2014, respectively. Formosa Petrochemical's LPG is sold to commercial and industrial users, as well as wholesalers, both domestically and throughout the region.

Base Oil. It is mostly used as the main material of lubricant, partly used as a plasticizer of Thermoplastics elastomer (TPE) manufacturing. Food-Grade White Mineral Oil (Liquid Paraffin) can be used in various ways, including as a plasticizer in the production of PS (including GPPS and HIPS), as a release agent, binder, and lubricant in or on capsules and tablets containing concentrates of flavoring, spices, condiments, and nutrients intended for addition to food or for special dietary use, as a protective coating on raw fruits and vegetables or as a component of hot melt coating in frozen meat, and as the base oil for food-contacting lubricants. Formosa Petrochemical produced 722,000 kL, 735,000 kL and 856,000 kL of base oil in the years ended 31 December 2012, 2013 and 2014, respectively.

Fuel Oil. The fuel oil is mainly used for bunker, heating fuel and other industrial fuel. Formosa Petrochemical produced 822,000 kL, 616,000 kL and 655,000 kL of fuel oil in the years ended 31 December 2012, 2013 and 2014, respectively.

Asphalt. The asphalt is the residue of vacuum distillation unit, it can be applied as materials of pavement, roof proof and waterproof.

Sulfur. The sulfur is the byproduct of desulfurization unit, it can be applied widely to fertilizer, bleach and cleaning of electronic equipments.

Lubricant. Formosa Petrochemical and the number one Japanese petroleum company, Idemitsu Kosan Co.,Ltd have commenced a strategic cooperation in lubricant products development. Idemitsu Kosan Co., Ltd provides the advanced formulation and production technologies to make sure that Formosa lubricant to meet world-class standards and qualities.

Olefins products

Formosa Petrochemical's principal olefins products include ethylene, propylene, butadiene and BTX. Sales of olefins products accounted for 28.5 per cent. of Formosa Petrochemical's operating revenues for the year ended 31 December 2014. The following table sets forth the sales volumes and sales revenues of each of Formosa Petrochemical's olefins products and the percentage of total operating revenues of olefins products provided by each product for the periods indicated:

	Year ended 31 December									
	2012			2013			2014			
	Volume (MT)	*NT$ (millions)*	*%*	*Volume (MT)*	*NT$ (millions)*	*%*	*Volume (MT)*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
Olefins	6,132,000	238,301.5	100.0	6,739,000	252,388.3	100.0	6,955,000	260,529.5	8,244.6	100.0

Olefins are principally produced by Formosa Petrochemical in its naphtha crackers. In such a facility, a steam cracking furnace is used to "crack" the hydrocarbon feedstock, which in the case of Formosa Petrochemical is typically naphtha. Cracking is simply the process of breaking down heavy oil molecules into lighter, more valuable fractions. Heavy hydrocarbons (in Formosa Petrochemical's case, typically naphtha) are broken into two or more fragments, forming a stream of mixed light hydrocarbons (for example, ethylene, propylene and butadiene). Formosa Petrochemical's crackers can also use LPG and gasoil as substitute feedstock for naphtha. Almost all of Formosa Petrochemical's olefins products are sold to companies within the Formosa Group. Formosa Petrochemical sells its olefins products to other companies within the Formosa Group on an arm's length basis, by reference to the existing market price of the particular olefin product at the time of sale.

Ethylene. Ethylene (C_2H_4) is an olefinic hydrocarbon used as a petrochemical feedstock for various petrochemical processes and the production of consumer goods. Formosa Petrochemical's ethylene is mostly sold to Formosa Plastics, for use as a raw material in downstream products manufactured by Formosa Plastics.

Propylene. Propylene (C_3H_6) is an olefinic hydrocarbon recovered from refinery processes or petrochemical processes. The propylene produced by both of Formosa Petrochemical's naphtha crackers is typically non-fuel use propylene. Non-fuel use propylene is propylene that is intended for use in non-fuel applications such as petrochemical production and processes. Non-fuel use propylene includes chemical-grade propylene, polymer-grade propylene, and trace amounts of propane. Propylene is used as a feedstock for various petrochemical processes and the production of consumer goods. Formosa Petrochemical's propylene is mostly sold to Formosa Chemicals & Fibre, for use as a raw material in downstream products manufactured by Formosa Chemicals & Fibre.

Butadiene. Butadiene, is also called 1,3 butadiene and is a flammable gaseous olefin used in the production of synthetic elastomer (synthetic rubber), adiponitrile and nylon 6,6. Formosa Petrochemical's butadiene is mostly sold to Formosa Chemicals & Fibre, for use as a raw material in downstream products manufactured by Formosa Chemicals & Fibre.

BTX. BTX is a mixture of benzene, toluene and xylene.

Utilities

Formosa Petrochemical's principal utilities are electricity and steam. Sales of utilities accounted for 4.3 per cent. of Formosa Petrochemical's net operating revenues for the year ended 31 December 2014. The following table sets forth the sales volumes and sales revenues of Formosa Petrochemical's principal utilities products and the percentage of total operating revenues from the company's principal utilities products provided by each type of utility for the periods indicated:

	Year ended 31 December									
	2012			2013			2014			
	Volume	*NT$ (millions)*	*%*	*Volume*	*NT$ (millions)*	*%*	*Volume*	*NT$ (millions)*	*U.S.$ (millions)*	*%*
Electricity	10,806mWh	24,280.0	60.1	12,358mWh	27,883.8	66.2	12,166mWh	28,169.9	891.5	71.2
Steam	16,700,000MT	16,128.8	39.9	17,064,000MT	14,228.5	33.8	16,290,000MT	11,386.7	360.3	28.3
Total	–	40,408.8	100.0	–	42,111.3	100.0	–	39,556.6	1,251.8	100.0

Note:

Formosa Petrochemical also produces certain other minor utilities products such as industrial water, ultra-pure water, oxygen, nitrogen and compressed air. Any revenues from such products have been included under "Others" and not "Utilities" throughout this Offering Circular.

Formosa Petrochemical's utilities are produced from the three coal-fired co-generation power plants used by Formosa Petrochemical to supply electricity and other utilities to its own refinery and naphtha cracking operations as well as the production facilities of other companies located in the No. 6 Naphtha Cracker Complex.

Electricity. Formosa Petrochemical's three coal-fired co-generation power plants generated 13,928 mWh, 15,836 mWh and 15,622 mWh of electricity in the years ended 31 December 2012, 2013 and 2014, respectively. Electricity is the largest product by revenues in Formosa Petrochemical's utilities division. For the years ended 31 December 2012, 2013 and 2014, Formosa Petrochemical's revenues from sales of electricity amounted to NT$24,280.0 million, NT$27,883.8 million and NT$28,169.9 million, respectively.

Steam. Formosa Petrochemical generated 21,672,000 metric tons, 23,358,000 metric tons and 22,516,000 metric tons of steam in the years ended 31 December 2012, 2013 and 2014, respectively. For the years ended 31 December 2012, 2013 and 2014, Formosa Petrochemical's revenues from sales of steam amounted to NT$16,128.8 million, NT$14,228.5 million and NT$11,386.7 million, respectively. Steam is principally used to power turbines in Formosa Petrochemical's co-generation power plants as well as to provide heat in the refinery and manufacturing process.

Other products and services

Formosa Petrochemical's other products and services include maintenance services and harbor administration services, as well as sales of certain other products such as C4, CO and industrial water. The maintenance center provides repair and maintenance services to the existing facilities at the No. 6 Naphtha Cracker Complex. Harbor administrative services includes Formosa Petrochemical's operation of the jetty and storage facilities for Mailiao Harbor at the No. 6 Naphtha Cracker Complex. Formosa Petrochemical charges other companies at the No. 6 Naphtha Cracker Complex for loading and unloading services and rents out excess space in its storage facilities on a monthly and per shipment basis. Sales from Formosa Petrochemical's other products and services accounted for 0.3 per cent., 0.3 per cent. and 0.4 per cent. of Formosa Petrochemical's operating revenues for the years ended 31 December 2012, 2013 and 2014, respectively. Formosa Petrochemical also provides engineering services in relation to the planning and construction of its facilities, though these services are entirely internal and do not, therefore, generate any revenues for the company.

Organization

Operating divisions

Formosa Petrochemical's three main operating business divisions are its refinery division, its olefins division, and its utilities division.

In addition to its three operating business divisions, Formosa Petrochemical also has an engineering division, a maintenance center and a harbor administration division. Formosa Petrochemical's engineering division typically carries out planning, engineering and construction tasks in relation to Formosa Petrochemical's facilities for Formosa Petrochemical. Formosa Petrochemical's maintenance center provides day-to-day maintenance services for its existing facilities. Formosa Petrochemical's harbor administration division conducts loading and unloading services in Mailiao Harbor and operates storage facilities.

Operations through subsidiaries

Formosa Oil, a wholly-owned subsidiary of Formosa Petrochemical, owned 527 gas stations in the ROC as at 31 December 2014, including the gas stations owned by Whale Home International Corporation (an indirect subsidiary of Formosa Petrochemical), Formosa Taffeta (an affiliate of Formosa Petrochemical) and unrelated third parties.

Formosa Petrochemical Transportation Corp., a subsidiary of Formosa Petrochemical, owns 167 oil tankers used for land transport. The company's gas tankers and other vehicles are used to transport gasoline and gasoil to the gas stations supplied by Formosa Petrochemical, and to transport products and raw materials domestically in the ROC.

FPCC USA, INC. was set up as a subsidiary of FPCC in 2006 in order to develop the oil and gas exploration business in the United State of America. In the past several years, by collaborating with local oil and gas exploration companies, FPCC has not only established its abilities and techniques of exploring hydrocarbon resources, but also successfully acquired significant amount of oil and gas reserves in the US. Since natural gas price has been retaining low in recent years, FPCC keeps its exploration focus on developing oil and gas condensate fields mainly in Texas and Louisiana States, which successfully bring in several profitable oil and gas wells.

Formosa Dredging Corporation was set up in 2008 with a business focus on leasing of ships.

Formosa Petrochemical Marine Company Limited was set up in 2009 with a business focus on transportation.

Raw Materials

The principal raw materials used by Formosa Petrochemical in its refining, naphtha cracking and power production activities are crude oil, naphtha and coal, respectively.

Supply and Consumption

Cost of raw materials constituted 87.1 per cent., 89.9 per cent. and 90.8 per cent. of Formosa Petrochemical's operating costs for the years ended 31 December 2012, 2013 and 2014, respectively. The table below sets forth certain information regarding the principal raw materials used by Formosa Petrochemical, the principal uses of such raw materials and the principal suppliers of such raw materials.

Raw materials	Principal use(s)	Principal supplier(s)
Crude oil..................	Feedstock for refinery	Aramco, United Arab Emirates, Kuwait Petroleum Corp
Naphtha	Feedstock for crackers	Generated internally from oil refinery operations, Shell, British Petroleum, Marubeni
Coal	Primary fuel for power plants	New Hope Company

Types of raw materials

Refinery division

Crude oil is the primary raw material required for Formosa Petrochemical's petroleum refinery operations. Crude oil is used as feedstock in Formosa Petrochemical's petroleum refinery complex. Formosa Petrochemical imports all of the crude oil it needs from overseas, mostly from countries in the Middle East.

For the years ended 31 December 2012, 2013 and 2014, 68.4 per cent., 69.5 per cent. and 65.8 per cent., respectively of Formosa Petrochemical's crude oil imports were made under term contracts with state-owned petroleum companies of petroleum exporting countries, such as Saudi Arabia's Aramco and Kuwait's Kuwait Petroleum Corporation. Such term contracts typically provide for the supply of a fixed quantity (within a given range) of crude oil during a period of one year at a variable price. The prices of crude oil under these term contracts are typically referenced off the Dubai and Oman Platts Prices of crude oil. The balance of Formosa Petrochemical's crude oil imports were generally purchased on the spot market from time to time at the prevailing market price, to meet fluctuations in supply or demand.

Formosa Petrochemical typically plans its crude oil inventory requirements on average three months in advance, by reference to factors like projected utilization rates at its petroleum refinery complex and transport time from the Middle East. Under ROC Petroleum Administration Law, Formosa Petrochemical must store in the ROC sufficient crude oil and/or petroleum products equal to (or, in the case of crude oil, able to produce) sixty days' equivalent of refined petroleum product at its petroleum refinery, calculated based on its domestic sales volume in the preceding twelve months. Formosa Petrochemical typically keeps a stockpile of crude oil which is substantially in excess of that required by ROC Petroleum Administration Law.

Formosa Petrochemical is exposed to currency fluctuation risk by virtue of the mismatch between its sales revenues from refined petroleum products, a significant proportion of which is denominated in NT dollars, and its costs of crude oil purchases, all of which is denominated in U.S. dollars. Formosa Petrochemical believes it is able to pass on most of such risk to its customers through price increases. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Formosa Petrochemical – Quantitative and Qualitative Disclosures about Market Risks – Foreign Exchange Risk".

Olefins division

Naphtha is the primary raw material required for Formosa Petrochemical's cracker operations. Naphtha is typically used as feedstock in Formosa Petrochemical's crackers. For the years ended 31 December 2012, 2013 and 2014, Formosa Petrochemical produced 3.635 million MT, 3.611 million MT and 3.518 million MT of naphtha.

For the year ended 31 December 2014, approximately 60 per cent. of Formosa Petrochemical's naphtha imports were made under term contracts, mostly with the same state-owned petroleum companies of oil exporting countries from which Formosa Petrochemical buys crude oil. Such term contracts typically provide for the supply of a fixed quantity (within a given range) of naphtha during a period of one year at a variable price. The balance of Formosa Petrochemical's naphtha imports are generally purchased on the spot market from time to time at the prevailing market price, to meet fluctuations in supply or demand.

Formosa Petrochemical typically plans its naphtha requirements on average 1.5 months in advance, by reference to factors such as projected utilization rates at its naphtha crackers, projected volume of production of naphtha from its petroleum refinery operations and projected transport time from the Middle East. Formosa Petrochemical typically keeps an inventory stockpile of naphtha sufficient for 13 days' of operations at its crackers.

Formosa Petrochemical is exposed to currency fluctuation risk by virtue of the mismatch between its sales revenues from its olefins division, most of which is denominated in NT dollars, and its costs of naphtha purchases, which is denominated in U.S. dollars. Formosa Petrochemical believes it is able to pass on most of such risks to its customers through price increases if necessary. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Formosa Petrochemical – Quantitative and Qualitative Disclosures about Market Risks – Foreign Exchange Risk".

Utilities division

Coal is the primary raw material required for Formosa Petrochemical's power generation operations. Coal is used as the fuel in Formosa Petrochemical's power plants. Formosa Petrochemical imports all of its coal requirements from overseas. Approximately half of Formosa Petrochemical's coal is imported from Australia, with the remaining half typically coming from Indonesia and South Africa.

For the year ended 31 December 2014, virtually all of Formosa Petrochemical's coal imports were made under term contracts with New Hope Company in Australia. The balance of Formosa Petrochemical's coal imports were generally purchased on the spot market from time to time at prevailing market prices, to meet fluctuations in supply or demand. However, due to supply shocks in the PRC from mining accidents and stricter governmental regulations combined with increased domestic demand, coal exports from the PRC have almost stopped. As a result, Formosa Petrochemical expects purchases on the spot market to represent a higher proportion of total purchases in 2015 than they have in past years. Formosa Petrochemical's spot supply of coal typically comes from Australia, South Africa and Indonesia.

Formosa Petrochemical typically plans its coal inventory requirements on average one month in advance, by reference to factors like projected utilization rates at its power plants and transport time from Australia, Indonesia or South Africa. Formosa Petrochemical typically keeps an inventory stockpile of coal sufficient for 30 days' of operations at its power plants. Formosa Petrochemical's coal is stockpiled at coal yards located near the Mailiao Harbor, which it shares with Mailiao Power.

Power and Transportation

Formosa Petrochemical generates all of the electricity it needs for its production processes through the three coal-fired co-generation power plants it owns and operates inside the No. 6 Naphtha Cracker Complex.

On average, Formosa Petrochemical needs eight oil tanker ship shipments per month for the transportation of crude oil. Formosa Group Ocean Marine Investment Company ("Formosa Ocean Marine Investment"), an associate company of Formosa Petrochemical, provides Formosa Petrochemical with five oil tanker ships for the transportation of crude oil from the Middle East and elsewhere. Of the eight shipments needed per month, four to five of these oil tanker ships are met through oil tanker ships provided by Formosa Ocean Marine Investment on a time-charter basis. The shortfall of the remaining oil tanker ships is normally chartered by Formosa Petrochemical from the spot charter market. The crude oil and naphtha transported via these oil tanker ships are all unloaded at the Mailiao Harbor within the No. 6 Naphtha Cracker Complex and piped to Formosa Petrochemical's petroleum refinery and naphtha crackers within the same complex.

Formosa Ocean Marine Investment has 19 dry bulk carriers equipped for the shipment of coal. As at 31 December 2014, Formosa Petrochemical had eight of these ships under a fixed term and fixed rate charter. Formosa Petrochemical typically needs 14 coal shipments a month. Any shortfall in coal shipments is typically met through the spot charter market. The coal from the coal ships is unloaded at the Mailiao Harbor within the No. 6 Naphtha Cracker Complex and stored at the coal-yard within the same complex which Formosa Petrochemical shares with Mailiao Power.

Sales

Geographical Markets

Formosa Petrochemical primarily sells its products in the domestic market in the ROC, although a significant portion of its refined petroleum products are exported overseas. Most of Formosa Petrochemical's olefins sales are domestic sales and all of Formosa Petrochemical's utilities sales are domestic sales.

The following table sets forth, for the periods indicated, the percentage breakdown of Formosa Petrochemical's operating revenues by geographic segments:

	Year ended 31 December		
	2012	2013	2014
	(percentage of operating revenues) (%)		
ROC	56.1	57.1	54.6
North America and South America	1.8	0.3	0.4
PRC	1.6	2.4	4.0
Hong Kong	2.5	1.7	2.0
North East Asia(1)	1.0	0.9	0.9
South East Asia(2)	29.9	28.0	27.9
Middle East	1.7	0.8	1.5
Australia and New Zealand	0.6	2.8	2.4
Europe	0.1	0.7	1.7
Others	4.7	5.5	4.6
Total	100.0	100.0	100.0

Note:

(1) Includes Japan and Korea

(2) Includes Philippines, Singapore, Thailand, Vietnam, Malaysia

Refined petroleum products. On an operating revenues basis, 37.3 per cent., 38.0 per cent. and 34.7 per cent. of Formosa Petrochemical's refined petroleum products were sold within the ROC for the years ended 31 December 2012, 2013 and 2014, respectively. Most of Formosa Petrochemical's domestic sales of its refined petroleum products are sales of gasoline and gasoil to retail customers through the gas stations supplied by Formosa Petrochemical. Gasoline and diesel are primarily sold to automobile and other vehicle owners at those gas stations. As at 31 December 2014, there were 2,504 gas stations in the ROC, of which Formosa Petrochemical supplied 527, owned by Formosa Oil (a wholly-owned subsidiary of Formosa Petrochemical), Whale Home International (an indirect subsidiary of Formosa Petrochemical), Formosa Taffeta (an affiliate of Formosa Petrochemical) and unrelated third parties. Some of Formosa Petrochemical's domestic sales of its refined petroleum products are sold to industrial and commercial users, and wholesalers, within the ROC.

On an operating revenues basis, 62.7 per cent., 62.0 per cent. and 65.3 per cent. of Formosa Petrochemical's refined petroleum products were exported in the years ended 31 December 2012, 2013 and 2014, respectively. Most of Formosa Petrochemical's refined petroleum products exports are to industrial and commercial users, as well as wholesalers, in countries such as Vietnam, the Philippines, Singapore, Australia and the PRC.

Olefins products. Virtually all of Formosa Petrochemical's olefins products are sold to companies within the Formosa Group. For classification purposes, olefins products which are sold by Formosa Petrochemical to other companies in the Formosa Group and shipped outside the ROC are classified as export sales. On an operating revenues basis, for the year ended 31 December 2014, 90.6 per cent. of Formosa Petrochemical's olefins sales were classified as domestic sales and 9.4 per cent. of Formosa Petrochemical's olefins sales were classified as export sales.

Utilities division products. All sales of Formosa Petrochemical's utilities products are domestic sales.

Product users

Refined petroleum products. Formosa Petrochemical's refined petroleum products are sold to retail customers through the gas stations supplied by Formosa Petrochemical and to industrial and commercial users and wholesalers. Gasoline and gasoil are mostly sold through the gas stations to retail customers, to wholesalers overseas as well as industrial and commercial users. Formosa Petrochemical sells its gasoline and gasoil on a wholesale basis to operators of gas stations (including stations owned by Formosa Oil, Whale Home and Formosa Taffeta), who in turn sell the gasoline and gasoil to Formosa Petrochemical's end-consumers on a retail basis at their gas stations. Some gasoline and gasoil is also sold to industrial and commercial users, as well as to overseas wholesalers. Formosa Petrochemical's naphtha is almost all used internally for its cracker operations. Fuel oil is mostly sold to industrial and commercial users for use in their manufacturing and commercial operations. Jet fuel/kerosene is mostly sold to airlines and aviation companies. LPG is mostly sold to distributors and ultimately resold to the public as fuel for cooking and other domestic uses.

Olefins products. Almost all of Formosa Petrochemical's olefins products are sold to other companies within the Formosa Group as raw materials for their further processing into downstream products. Most of the ethylene produced by Formosa Petrochemical is sold to Formosa Plastics for use in the production of PVC resins, polyolefins and polypropylene. Most of the propylene produced by Formosa Petrochemical is sold to Formosa Chemicals & Fibre for use in the production of phenol, acetone and PP. Most of the butadiene and BBR produced by Formosa Petrochemical is sold to Formosa Chemicals & Fibre for use in production of ABS.

Utilities products. Formosa Petrochemical sells electricity and steam not used internally to other companies in the No. 6 Naphtha Cracker Complex. Any excess electricity is sold to Taiwan Power Company, for onward transmission to end-users through the the ROC national electricity grid.

Other products and services. Formosa Petrochemical provides jetty and storage services to other companies in the No. 6 Naphtha Cracker Complex.

Manner of Sale and Distribution

Most of Formosa Petrochemical's products are sold directly to its principal customers by the relevant business divisions.

Properties and Facilities

Formosa Petrochemical operates a petroleum refinery complex, three naphtha cracking plants and three dedicated co-generation power plants, all located within the No. 6 Naphtha Cracker Complex. Formosa Petrochemical owns its petroleum refinery complex, the three naphtha cracking plants and the three dedicated co-generation power plants, as well as the properties on which these facilities are situated on and all the plants and equipments located therein. Formosa Petrochemical also has its own maintenance crew for each site.

Formosa Petrochemical's engineering division produces much of the standard equipment used by Formosa Petrochemical. This arrangement allows Formosa Petrochemical to control the supply and quality of such equipment and machinery. Each of Formosa Petrochemical's production facility also has a maintenance department, which regularly checks equipment and makes standard repairs. Formosa Petrochemical also has a centralized maintenance group, which assists each of the divisions on larger or more difficult jobs.

The following table sets forth Formosa Petrochemical's total nameplate capacity and average utilization rates for each Formosa Petrochemical's facilities for the periods indicated:

	Year ended 31 December		
	2012	**2013**	**2014**
	(percentage of total capacity) (%)		
Oil Refinery			
Capacity (barrels per day)	540,000	540,000	540,000
Average Utilization Rate	80.7	84.6	85.0
Olefins Manufacturing plants (three)			
Capacity (million tpa)	2.935	2.935	2.935
Average Utilization Rate	88.7	91.5	94.4

Competition

Formosa Petrochemical competes on the basis of price and also on quality, speed of delivery, the ability to meet varied product specifications and the ability to supply the quantities ordered. Formosa Petrochemical's olefins and utilities businesses are almost exclusively domestic businesses, with almost all of its olefins being supplied to other companies within the Formosa Group and all of its utilities sales going to companies in the No. 6 Naphtha Cracker Complex or Taiwan Power Company. Formosa Petrochemical's refining business is both a regional and a domestic business, with exports accounting for 65 per cent. of its refined petroleum products sales for the year ended 31 December 2014. Formosa Petrochemical's only competitor in the domestic market in respect of its refined petroleum products is the larger state-owned CPC. For the year ended 31 December 2014, CPC's gas stations accounted for approximately 79 per cent. of total gas stations in the ROC, compared to Formosa Petrochemical's 21 per cent (approximately). In its export sales of refined petroleum products, Formosa Petrochemical competes with other exporters of refined petroleum products in the region, including Shell, SK Corp, CPC and LG-Caltex. In the olefins to companies within the Formosa Group located in the No. 6 Naphtha Cracker Complex. Although CPC also sells some products to certain companies within the Formosa Group, those sales are either to meet excess demand that cannot be satisfied by Formosa Petrochemical or as a result of a conveniently located CPC production facility which drastically reduces transportation costs to the production facilities of those Formosa Group companies. For example, most of the Formosa Group's facilities are located in the No. 6 Naphtha Cracker Complex. However, it also has facilities located in Kaohsiung and other locations further away from the complex. Since many of the products Formosa Petrochemical provides to other Formosa Group companies are difficult to transport, those Formosa Group companies that are located further away from Formosa Petrochemical's facilities will choose to purchase products from CPC to the extent there is a CPC production facility that is closer in physical proximity to that company's facilities. The following table sets forth Formosa Petrochemical's principal competitors for each of the sectors in which Formosa Petrochemical competes:

Product sector	**Principal geographical markets**	**Principal competitors**
Refined petroleum products		
Gasoline	ROC, Korea, Australia & NZ, Singapore	CPC, SK, S-Oil, ExxonMobile, Shell, PTT, Thai-Oil, Chevron Texaco, Sinopec, PetroChina, Wepec
Gasoil	ROC, Korea, Vietnam, Philippines	CPC, SK, S-Oil, Petron, PTT
Fuel oil	ROC, Hong Kong, PRC	CPC, SK, LC-Caltex, S-Oil
Jet fuel/kerosene	ROC, Hong Kong, PRC	CPC, Nippon Oil, Idemitsu, Exxon, Shell, Cosmo
LPG	ROC	CPC, Sinno-Benny
Olefins products		
Ethylene	ROC	CPC
Propylene	ROC	CPC
Butadiene	ROC	CPC
BTX	ROC	CPC

Research and Development

Formosa Petrochemical has a research and development center with 210 staff members as at 31 December 2014. In addition, each of Formosa Petrochemical's operating divisions has its own smaller research and development department. Formosa Petrochemical's research and development efforts are primarily devoted to the development and enhancement of process technologies used in its production facilities and research relating to cost reduction, quality improvement and pollution control at each of Formosa Petrochemical's production facilities.

Employees

Formosa Petrochemical alone had 4,864 employees as at 31 December 2014, 5,029 employees as at 31 December 2013 and 4,885 employees as at 31 December 2012. The average employment period of Formosa Petrochemical's employees in the ROC as at 31 December 2014 was 9 years and the average age of Formosa Petrochemical's employees as at 31 December 2014 was 38 years.

As at 31 December 2014, none of Formosa Petrochemical's employees belonged to a union.

Environmental and Other Regulatory Matters

Formosa Petrochemical is subject to regulation by the Environmental Protection Administration Executive Yuan, ROC (Taiwan). In the ROC, the county and city environmental bureaus in each county or city where Formosa Petrochemical conducts its production operations are responsible for the enforcement of environmental laws applicable to Formosa Petrochemical's operations there.

The principal environmental concerns relating to Formosa Petrochemical's petroleum refinery operations are disposal of solid waste from the refining process, air pollution, wastewater treatment and potential oil spills.

Formosa Petrochemical is committed to maintaining appropriate environmental controls in all of its production facilities and is seeking through its research and development efforts to develop more efficient production processes that generate less waste and emissions. Formosa Petrochemical also uses the services of the Environmental Engineering Center set up by Nan Ya Plastics, which tasks include environmental impact assessment, engineering surveying and monitoring, and data control to ensure a consistent approach by the Formosa Group to environmental protection. Formosa Petrochemical pays fees to Nan Ya Plastics for the services of the Environmental Engineering Center, which also performs environmental services for other members of the Formosa Group and is responsible for all the environmental planning relating to the No. 6 Naphtha Cracker Complex.

Formosa Petrochemical's principal environmental protection facilities consist of wastewater treatment facilities, electrostatic precipitators and flue gas desulphurization equipment. Formosa Petrochemical believes that it is in compliance with all material environmental regulations, although there can be no assurance that the relevant regulatory authorities will not impose new, stricter regulations which would require additional expenditure on environmental protection which could have a material adverse effect on Formosa Petrochemical's business.

Legal Proceedings

Formosa Petrochemical is not involved in any material litigation or proceedings, nor is Formosa Petrochemical aware that any such proceedings are pending or threatened.

SUBSIDIARIES AND INVESTEE COMPANIES

The following table sets forth certain information as at 31 December 2014 regarding Formosa Petrochemical's principal subsidiaries and investee companies:

Name	Registered Office	Book Value of Formosa Petrochemical's Investment (NT$ million)	Percentage Interest Held by Formosa Petrochemical[1]	Principal Business
Formosa Oil (Asia Pacific) Corporation	2F, No. 54, Sec 4, Mingsheng E., Taipei, Taiwan, ROC	1,007.9	100.0%	Retail of petrochemical
Formosa Petrochemical Transportation Corporation	No. 42, Biaofu Road, Mailiao Township, Yuntin County Taiwan, ROC	248.1	88.0%	Transportation
FPCC USA, INC.	9 Peach Tree Hill Road, Livingston, NJ 07039-5702, United States	219.4	100.0%	Investing
Mailiao Harbor Administration Corporation	1-1 Formosa Plastic Group Industrial Zone, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	2,263.9	45.0%	Harbor manage
Formosa Development Corporation	2F, 201-36 Tung Hwa, North Road, Taipei, Taiwan, ROC	571.0	46.0%	Development of land
Yi-Chi Construction Corporation	2F, 201-24 Tung Hwa, North Road, Taipei, Taiwan, ROC	87.8	40.6%	Construction
Mailiao Power Corporation	1-1 Formosa Plastic Group Industrial Zone, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	11,427.1	24.9%	Electricity generation
Formosa Dredging Corporation	No. 118 Sec. 1, Sihwei Road, Puzih City, Chiayi County, Taiwan, ROC	117.4	100.0%	Ship chartering
Simosa Oil Corporation	1F, No. 10-8, Formosa Plastic Group Industrial Zone, Mailiao Shiang, Yunlin Hsian, Taiwan, ROC	541.2	20.0%	Retail of other oil products and manufacturing
Formosa Marine Corporation	7th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	141.2	20.0%	Transportation
Caltex Taiwan Corporation	5F, 201-34 Tung Hwa, North Road, Taipei, Taiwan, ROC	65.8	50.0%	Retail of petrochemical products and airport refueling
Formosa Environmental Technology Corporation	5F, 201-24 Tung Hwa, North Road, Taipei, Taiwan, ROC	268.0	24.3%	Disposals of waste and sewage
Formosa Plastics Synthetic Rubber	1-1 Formosa Plastic Group Industrial Zone, Mailiao Shiang, Yunlin Hsien, Taiwan, ROC	376.3	33.3%	Synthetic rubber manufacturing
Formosa Plastics Synthetic Rubber (HK)	7/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong	914.6	30.0%	Synthetic rubber manufacturing

Name	Registered Office	Book Value of Formosa Petrochemical's Investment (NT$ million)	Percentage Interest Held by Formosa Petrochemical[(1)]	Principal Business
Formosa Ha Tinh (Cayman) Limited.....................................	Forbes Hare Trust Company Limited, Cassia Court, Suite 716, 10 Market Street, Camana Bay, Grand Cayman, Cayman Islands KY1 9006	15,761.5	14.8%	Investing

Note:

(1) Only in respect of interest directly held by Formosa Petrochemical.

Formosa Oil (Asia Pacific) Corporation ("Formosa Oil") engages in the retail of petrochemical. As at 31 December 2014, the company had an issued share capital of NT$1,000.0 million. Formosa Petrochemical did not receive any dividends from Formosa Oil for the year ended 31 December 2014. As at 31 December 2014, Formosa Oil did not owe any debt to Formosa Petrochemical. Formosa Petrochemical provided a guarantee up to an aggregate amount of NT$90.0 million for Formosa Oil for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Oil made a net income of NT$44.3 million.

Formosa Petrochemical Transportation Corporation ("Formosa Petrochemical Transportation") engages in transportation. As at 31 December 2014, the company had an issued share capital of NT$220.2 million. Formosa Petrochemical received dividends of NT$5.8 million from Formosa Petrochemical Transportation for the year ended 31 December 2014. As at 31 December 2014, Formosa Petrochemical Transportation did not owe any debt to Formosa Petrochemical. Formosa Petrochemical did not provide any guarantee for Formosa Petrochemical Transportation for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Petrochemical Transportation made a net income of NT$29.3 million.

FPCC USA, INC. ("FPCC USA") engages in investment. As at 31 December 2014, the company had an issued share capital of NT$719.0 million. Formosa Petrochemical did not receive any dividends from FPCC USA for the year ended 31 December 2014. As at 31 December 2014, FPCC USA did not owe any debt to Formosa Petrochemical. Formosa Petrochemical did not provide any guarantee for FPCC USA for the year ended 31 December 2014. For the year ended 31 December 2014, FPCC USA made a net loss of NT$164.8 million.

Mailiao Harbor Administration Corporation ("Mailiao Harbor Administration") engages in the administration of harbor facilities. As at 31 December 2014, the company had an issued share capital of NT$2,200.0 million. Formosa Petrochemical received dividends of NT$468.3 million from Mailiao Harbor Administration for the year ended 31 December 2014. As at 31 December 2014, Mailiao Harbor Administration did not owe any debt to Formosa Petrochemical. Formosa Petrochemical did not provide any guarantee for Mailiao Harbor Administration for the year ended 31 December 2014. For the year ended 31 December 2014, Mailiao Harbor made a net income of NT$382.2 million.

Formosa Development Corporation ("Formosa Development") engages in development of land. As at 31 December 2014, the company had an issued share capital of NT$757.6 million. Formosa Petrochemical did not receive any dividends from Formosa Development for the year ended 31 December 2014. As at 31 December 2014, Formosa Development owed Formosa Petrochemical an aggregate amount of NT$40.0 million. Formosa Petrochemical did not provide any guarantee for Formosa Development for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Development made a net income of NT$12.8 million.

Yi-Chi Construction Corporation ("Yi-Chi Construction") engages in construction. As at 31 December 2014, the company had an issued share capital of NT$198.5 million. Formosa Petrochemical did not receive any dividends from Yi-Chi Construction for the year ended 31 December 2014. As at 31 December 2014, Yi-Chi Construction did not owe any debt to Formosa Petrochemical. Formosa Petrochemical did not provide any guarantee for Yi-Chi Construction for the year ended 31 December 2014. For the year ended 31 December 2014, Yi-Chi Construction made a net income of NT$0.5 million.

Mailiao Power Corporation ("Mailiao Power") engages in the electricity generation. As at 31 December 2014, the company had an issued share capital of NT$20,000.0 million. Formosa Petrochemical received dividends in the amount of NT$1,347.0 million from Mailiao Power for the year ended 31 December 2014. As at 31 December 2014, Mailiao Power did not owe any debt to Formosa Petrochemical. Formosa Petrochemical did not provide any guarantee for Mailiao Power for the year ended 31 December 2014. For the year ended 31 December 2014, Mailiao Power made a net income of NT$1,629.9 million.

Formosa Dredging Corporation ("Formosa Dredging") engages in ship chartering. As at 31 December 2014, the company had an issued share capital of NT$100.4 million. Formosa Petrochemical did not receive any dividends from Formosa Dredging for the year ended 31 December 2014. As at 31 December 2014, Formosa Dredging owed Formosa Petrochemical an aggregate amount of NT$164.9 million. Formosa Petrochemical did not provide any guarantee for Formosa Dredging for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Dredging made a net loss of NT$41.0 million.

Formosa Environmental Technology Corporation ("Formosa Environmental Technology") engages in the disposals of waster and sewage. As at 31 December 2014, the company had an issued share capital of NT$1,714.0 million. Formosa Petrochemical did not receive any dividends from Formosa Environmental Technology for the year ended 31 December 2014. As at 31 December 2014, Formosa Environmental Technology did not owe any debt to Formosa Petrochemical. Formosa Petrochemical did not provide any guarantee for Formosa Environmental Technology for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Environmental Technology made a net loss of NT$6.0 million.

Simosa Oil Corporation ("Simosa Oil") engages in retail of other oil products and manufacturing. As at 31 December 2014, the company had an issued share capital of NT$1,839.1 million. Formosa Petrochemical received dividends in the amount of NT$101.7 million from Simosa Oil for the year ended 31 December 2014. As at 31 December 2014, Simosa Oil did not owe any debt to Formosa Petrochemical. Formosa Petrochemical provided a guarantee up to an aggregate amount of NT$99.0 million for Simosa Oil for the year ended 31 December 2014. For the year ended 31 December 2014, Simosa Oil made a net income of NT$98.6 million.

Formosa Marine Corporation ("Formosa Marine") engages in transportation. As at 31 December 2014, the company had an issued share capital of NT$161.9 million. Formosa Petrochemical received dividends of NT$16.1 million from Formosa Marine for the year ended 31 December 2014. As at 31 December 2014, Formosa Marine owed Formosa Petrochemical an aggregate amount of NT$20.0 million. Formosa Petrochemical did not provide any guarantee for Formosa Marine for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Marine made a net income of NT$92.9 million.

Caltex Taiwan Corporation ("Caltex Taiwan") engages in retail of petrochemical products and airport refueling. As at 31 December 2014, the company had an issued share capital of NT$48.0 million. Formosa Petrochemical received dividends of NT$19.4 million from Caltex Taiwan for the year ended 31 December 2014. As at 31 December 2014, Caltex Taiwan did not owe any debt to Formosa Petrochemical. Formosa Petrochemical did not provide any guarantee for Caltex Taiwan for the year ended 31 December 2014. For the year ended 31 December 2014, Caltex Taiwan made a net income of NT$33.8 million.

Formosa Plastics Synthetic Rubber ("Formosa Plastics Synthetic Rubber") engages in synthetic rubber Manufacturing. As at 31 December 2014, the company had an issued share capital of NT$1,200.0 million. Formosa Petrochemical did not receive any dividends from Formosa Plastics Synthetic Rubber for the year ended 31 December 2014. As at 31 December 2014, Formosa Plastics Synthetic Rubber did not owe any debt to Formosa Petrochemical, Formosa Petrochemical did not provide any guarantee for Formosa Plastics Synthetic Rubber for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Plastics Synthetic Rubber made a net income of NT$0.1 million.

Formosa Plastics Synthetic Rubber (HK) ("Formosa Plastics Synthetic Rubber (HK)") engages in synthetic rubber manufacturing. As at 31 December 2014, the company had an issued share capital of NT$3,002.0 million. Formosa Plastics Synthetic Rubber (HK) did not receive any dividends from Formosa Plastics Synthetic Rubber (HK) for the year ended 31 December 2014. As at 31 December 2014, Formosa Plastics Synthetic Rubber (HK) did not owe any debt to Formosa Petrochemical. Formosa Petrochemical did not provide any guarantee for Formosa Plastics Synthetic Rubber (HK) for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Plastics Synthetic Rubber (HK) made a net loss of NT$32.0 million.

Formosa Ha Tinh (Cayman) Limited ("Formosa Ha Tinh (Cayman)") engages in investment. As at 31 December 2014, the company had an issued share capital of NT$104.8 million. Formosa Petrochemical did not receive any dividends from Formosa Ha Tinh (Cayman) for the year ended 31 December 2014. As at 31 December 2014, Formosa Ha Tinh (Cayman) did not owe any debt to Formosa Petrochemical. Formosa Petrochemical did not provide any guarantee for Formosa Ha Tinh (Cayman) for the year ended 31 December 2014. For the year ended 31 December 2014, Formosa Ha Tinh (Cayman) made a net loss of NT$370.1 million.

Formosa Petrochemical's equity interests in all of the subsidiaries and investee companies listed above have been paid in full.

MANAGEMENT OF FORMOSA PETROCHEMICAL

Directors and Supervisors

The ROC Company Law and the Articles of Incorporation of Formosa Petrochemical provide that the Board of Directors is to be elected by the shareholders of Formosa Petrochemical for three-year terms in a shareholders' meeting at which a quorum, consisting of a majority of all issued and outstanding shares, is present. The Chairman is a Director elected by the Board. The fifteen-member Board of Directors of Formosa Petrochemical is responsible for the management of the business of Formosa Petrochemical.

Formosa Petrochemical currently has three Supervisors. Supervisors are typically elected at the time that Directors are elected. The Supervisors' duties and powers include, but are not limited to, investigation of Formosa Petrochemical's financial condition, inspection of Formosa Petrochemical's corporate records, attending meetings of the Board of Directors, verification of certain statements by the Board of Directors prior to the regular shareholders' meetings, calling of shareholders' meetings, representing Formosa Petrochemical in negotiations with its Directors and notification, when appropriate, to the Board of Directors to cease acting in contravention of any applicable law or regulation or in contravention of Formosa Petrochemical's Articles of Incorporation or beyond the scope of Formosa Petrochemical's business. In accordance with the laws of the ROC relating to corporations, a Supervisor cannot concurrently serve as a Director, managerial officer or other staff member. The ROC Company Law requires at least one Supervisor be appointed at all times.

The term of office for the Directors and Supervisors is three years from the date of election. They may serve any number of consecutive terms and may be removed from office at any time by a resolution adopted at a shareholders' meeting. The Director or Supervisor being removed without a reason could claim for damages from Formosa Petrochemical. Normally, all Directors and Supervisors are elected at the same time.

Of the current Directors and Supervisors, Mr. William Wong was elected in his capacity as a representative of Formosa Chemicals & Fibre Corporation, Ms. Susan Wang was elected in his capacity as a representative of Formosa Plastics Corporation and Mr. Wilfred Wang was elected in his capacity as a representative of Nan Ya Plastics Corporation. A Director or Supervisor who serves as a representative of a legal entity may be removed or replaced at any time at the discretion of that legal entity, and the replacement Director or Supervisor may serve the remainder of the term of the office of the replaced Director or Supervisor.

The following table sets forth certain information relating to the Directors and Supervisors of Formosa Petrochemical for the month of December 2014.

Name	Position	Number of Shares Held Directly(1)	Number of Shares Held Through Spouse and Minor Children(2)
Bao Lang Chen	Chairman	–	–
William Wong(3)	Executive Director	2,322,799,801	–
Susan Wang(4)	Executive Director	2,742,549,010	–
Wilfred Wang(5)	Executive Director	2,223,306,014	–
C.P. Chang	Independent Director	–	–
Chi-Tang Lo	Independent Director	–	–
Yu Cheng	Independent Director	–	–
Mihn Tsao	Director	–	–
Walter Wang	Director	–	–
C.Y. Su	Director	230,338	2,383
Keh-Yen Lin	Director	53,768	10,629
Hang-Ting Chen	Director	122,400	–
Jui-Shih Chen	Director	10,649	–
Tsai-Shan Kao	Director	358,796	–
Ja-Tao Huang	Director	171,873	–
Ying-Hwang Yang	Supervisor	5,445	–
Ming-Long Huang	Supervisor	–	381
S.K.Chen	Supervisor	3,082	–

Note:

(1) In the case of a Director who is a representative of a legal entity, the number of this column only includes the number of Shares held by the corporate shareholder.

(2) Applies to a Director or Supervisor serving in his or her individual capacity only.

(3) Representative of Formosa Chemicals & Fibre Corporation.

(4) Representative of Formosa Plastics Corporation.

(5) Representative of Nan Ya Plastics Corporation.

Set forth below is a short biography of each of the Directors and Supervisors. All of the Directors and Supervisors were elected for their present term in June 2012.

Mr. Bao Lang Chen is the Chairman of the Board of Directors. He also serves as a Director of Mailiao Power Corporation. He graduated from National Cheng Kung University.

Mr. William Wong is an Executive Director. For his biography, please refer to "Description of Formosa Plastics – Management of Formosa Plastics".

Ms. Susan Wang is an Executive Director. For her biography, please refer to "Description of Formosa Plastics – Management of Formosa Plastics".

Mr. Wilfred Wang is an Executive Director. For his biography, please refer to "Description of Formosa Plastics – Management of Formosa Plastics".

Mr. C.P. Chang is an Independent Director. He also serves as an independent director of Powerchip Technology Corporation, Capital Securities Corp. and Silitek Corporation and as an independent supervisor of Jintex Corporation Ltd.. He graduated from National Chengchi University.

Mr. Chi-Tang Lo is an Independent Director. He served as the chairman of The Bankers Association of the Republic of China, Taiwan Cooperative Bank and Hua Nan Bank, the director of Central Bank of the Republic of China (Taiwan), the general manager of Hua Nan Bank and the former Taipei Bank. He graduated from National Taiwan University.

Mr. Yu Cheng is an Independent Director. He also serves as an Independent Director of Formosa Advanced Technologies Co., Ltd. and Danen Technology Corporation and Chief Editor of Commercial Times. He graduated from National Chengchi University.

Mr. Mihn Tsao is a Director. He also serves as the Chairman of Kraton Formosa Polymers Corporation and the General Manager of Mailiao Power Corporation. He graduated from National Sun Yat-sen University.

Mr. Walter Wang is a Director. For his biography, please refer to "Description of Formosa Chemicals & Fibre – Management of Formosa Chemicals & Firbre".

Mr. C.Y. Su is a Director. He also serves as the Chief Manager of Formosa Petrochemical, the Chairman of Formosa Oil (Asia Pacific) Corporation and a Director of National Petroleum Co., Ltd.. He graduated from National Cheng Kung University.

Mr. Keh-Yen Lin is a Director. He also serves as the Executive Vice President of Formosa Petrochemical, a Director of Whale Home and a Supervisor of Nan Ya Photonics Incorporation. He graduated in Tunghai University.

Mr. Han-Ting Chen is a Director. He also serves as a Senior Vice President of Formosa Petrochemical and a Director of Formosa Oil (Asia Pacific) Corporation. He graduated from Feng Chia University.

Mr. Jui-Shih Chen is a Director. He also serves as a Senior Vice President of Formosa Petrochemical and a Director of Formosa Petrochemical Transportation Corporation. He graduated from National Taiwan University.

Mr. Tsai-Shan Kao is a Director. He also serves as a Vice President of Formosa Petrochemical. He graduated from National Cheng Kung University.

Mr. Ja-Tao Huang is a Director. He also serves as a Vice President of Formosa Petrochemical and a Director of Formosa Dredging Corporation and Formosa Petrochemical Transportation Corporation. He graduated from Tatung Institute of Technology.

Mr. Ying-Hwang Yang is a Supervisor. He also serves as a Director of Formosa Plastics Marine Corporation and a Supervisor of Formosa Plastic Transport Corporation. He graduated from Taipei University of Technology.

Mr. Ming-Long Huang is a Supervisor. He also serves as the Head Executive of Chang Gung Hospital. He graduated from Feng Chia University.

Mr. S.K.Chen is a Supervisor. He also serves as the Chairman of Formosa Plastic Transport Corporation and Formosa Petrochemical Transportation Corporation. He graduated from Ming Chi University of Technology.

Executive Officers

The executive officers of Formosa Petrochemical are appointed by Formosa Petrochemical's Board of Directors. The following table sets forth certain information relating to the executive officers for the month of December 2014.

Name	Position	Number of Shares Held Directly	Number of Shares Held Through Spouse and Minor Children
Mihn Tsao	President	–	–
Keh-Yen Lin	Executive Vice President	53,768	10,629
Hang-Ting Chen	Senior Vice President	122,400	–
K.M. Hung	Senior Vice President	544	–
Jui-Shih Chen	Senior Vice President	10,649	–
Song-Yueh Tsay	Vice President	–	–
Wen-Yu Cheng	Vice President	1,659	–
Yeong-Fa Wang	Vice President	117,637	–
Ja-Tao Huang	Vice President	171,873	–
Te-Hsiung Hsu	Assistant Vice President	1,243	–
Tsai-Shan Kao	Vice President	358,796	–
Ming-Hsiung Shih	CFO	85,561	–
Jin-Yuan Xie	Accounting Supervisor	101,475	–

Compensation of Directors and Supervisors

No remuneration was paid to the Directors and Supervisors of Formosa Petrochemical for the year ended 31 December 2014.

Formosa Petrochemical does not have a stock option plan.

PRINCIPAL SHAREHOLDERS OF FORMOSA PETROCHEMICAL

The following table sets forth certain information for the month of December 2014 with respect to shares owned by each person who, according to the records of Formosa Petrochemical, beneficially owned 10 per cent. or more of the shares of Formosa Petrochemical. Beneficial ownership includes ownership by such person's spouse and minor children.

Name of Shareholder	Number of Shares	Percentage of Total Issued and Outstanding Shares
Formosa Plastics	2,742,549,010	28.8%
Nan Ya Plastics	2,223,306,014	23.3%
Formosa Chemicals & Fibre	2,322,799,801	24.4%

Apart as set out above, no shareholder owned 10 per cent. or more of the outstanding shares of Formosa Petrochemical.

RECENT DEVELOPMENT

Formosa Petrochemical is a party to the Vietnam Project. For further details in relation to the Vietnam Project, please refer to "Description of Formosa Plastics – Recent Development".

EXCHANGE RATES

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between NT dollars and U.S. dollars, as published in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States.

	Noon Buying Rate			
	Average(1)	High	Low	Period End
	(NT dollar per U.S.$1.00)			
2010	31.50	35.21	31.95	31.95
2011	29.38	30.67	28.50	30.27
2012	29.56	30.28	28.96	29.05
2013	29.68	30.12	28.93	29.83
2014	30.30	31.80	29.87	31.60
2015				
January	31.64	32.00	31.06	31.75
February	30.31	31.76	31.31	31.44
March	31.44	31.71	31.19	31.24
April (up to and including 10 April 2015)	31.08	31.24	30.87	31.23

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rates of the relevant periods in 2015, which are determined by averaging the daily rates during the periods indicated.

Source: Federal Reserve Bank of New York.

TAXATION

The following summary of certain Hong Kong, ROC, EU and Cayman Islands tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of the Notes should consult their own tax advisors concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest in respect of the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, professional or business carried on in Hong Kong in the following circumstances:

(a) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Notes will be subject to profits tax.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

Estate Duty

No Hong Kong estate duty is payable in respect of the Notes.

ROC

The following discussion is a summary of the material ROC tax considerations relevant to an investment decision by non-ROC holders.

*The following summary addresses the principal ROC tax consequences of the ownership and disposition of the Notes to a non-resident individual or non-resident entity that holds such Notes (a "**Non-ROC Holder**"). "Non-resident individual" (a "**Non-ROC Individual Holder**") is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year in which he or she owns the Notes and a "non-resident entity" (a "**Non-ROC Entity Holder**") is a corporation or a non-corporate body that is organized under the laws of a jurisdiction other than the ROC and does not have a fixed place of business or other permanent establishment in the ROC.*

Notes

Interest

Payments by the Guarantors of stated interest or premium (if any) on a Note to a Non-ROC Holder would likely constitute ROC-sourced income and may therefore be subject to ROC withholding tax at the rate of 15 per cent., at the time of payment, unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Individual Holder is resident.

Sale

Sale of the Notes will not be subject to ROC securities transaction tax.

Tax Treaties

At present, the ROC has income tax treaties with Kiribati, Austria, Luxembourg, Australia, Gambia, Indonesia, Malaysia, Macedonia, the United Kingdom, the Netherlands, New Zealand, Singapore, South Africa, Swaziland, Vietnam, Senegal, Sweden, Belgium, Denmark, Israel, Paraguay, France, Germany, Hungary, India, Slovakia, Switzerland and Thailand which may limit the rate of withholding tax on interest paid by the Guarantors with respect to the Notes. Accordingly, holders of Notes who are otherwise entitled to the benefits of a relevant income tax treaty should consult their own tax advisors concerning their eligibility for benefits under the treaty with respect to the Notes.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25 per cent. of the face amount thereof may be payable on each Note (up to a maximum of 250 Cayman Islands dollars ("**CI$**") (U.S.$305) unless stamp duty of CI$500 (U.S.$610) has been paid in respect of the entire issue of Notes.

The above conversions of Cayman Islands dollars to US dollars have been made on the basis of U.S.$1.22 to CI$1.00. The holder of any Notes (or the legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes.

Certificates evidencing registered Notes, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty.

Proposed EU Directive on the Taxation of Savings Income

The EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

The Council of the European Union has adopted a Directive (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

Investors who are in any doubt as to their position should consult their professional advisors.

Proposed EU Directive for a Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA Withholding

A tax for withholding may be payable under the United States Foreign Account Tax Compliance Act ("**FATCA**") if an investor or custodian of the Notes is unable to receive payments free of withholding. Whilst the Notes are in global form and held within Euroclear or Clearstream, Luxembourg (together, the "**ICSDs**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantors, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement with the United States (an "**IGA**") will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive Notes will only be printed in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Issuer, the Guarantors, the Managers or any of the Issuer's or the Guarantors' respective affiliates or advisors in connection with the offering of the Notes.

Foreign Investment

Historically, foreign investment in the ROC securities markets has been restricted. Since 1983, the ROC government has periodically enacted legislation and adopted regulations to permit foreign investment in the ROC securities market.

Regulations Governing Investment in Securities By Overseas Chinese and Foreign Nationals (the "**Foreign Regulations**"), which was approved by the Executive Yuan on 26 May 1983 and has been amended from time to time, and the Regulations Governing Mainland Chinese Investors' Securities Investments and Futures Trading in the ROC (the "**PRC Regulations**"), which was announced by the Financial Supervisory Commission ("**FSC**") on 30 April 2009, are two of the major regulations governing foreign investment in companies listed on TWSE or Taipei Exchange ("**TPEx**") in the ROC.

Under the Foreign Regulations, foreign investors (other than PRC person) are classified as either "onshore foreign investors" or "offshore foreign investors" according to their respective geographical location. Unless otherwise specified in the laws and regulations, both onshore and offshore foreign investors are allowed to invest in ROC securities after they register with the TWSE. The Foreign Regulations further classify foreign investors into foreign institutional investors and foreign individual investors. "Foreign institutional investors" refer to those investors incorporated and registered in accordance with foreign laws outside of the ROC (i.e., offshore foreign institutional investors) or their branches set up and recognized within the ROC (i.e., onshore foreign institutional investors). Offshore overseas Chinese and foreign individual investors may be subject to a maximum investment ceiling that will be separately determined by the FSC after consultation with the Central Bank of the Republic of China (Taiwan) ("**CBC**"). Currently, there is no maximum investment ceiling for offshore overseas Chinese and foreign individual investors. On the other hand, foreign institutional investors are not subject to any ceiling for investment in the ROC securities market.

In the past, PRC persons were prohibited from investing, whether directly or indirectly, in the ROC. The PRC Regulations promulgated by the FSC on 30 April 2009 loosen these restrictions. Under the PRC Regulations, PRC qualified domestic institutional investors ("**QDII**") are allowed to invest in ROC securities (including less than 10 per cent. shareholding of an ROC company listed on TWSE or TPEx). Nevertheless, the total investment amount of QDIIs cannot exceed U.S.$500 million. For each QDII, the custodians of such QDIIs must apply with the TWSE for the remittance amount for each QDII, which cannot exceed U.S.$100 million, and QDII can only invest in the ROC securities market with the amount approved by the TWSE. In addition, QDIIs are currently prohibited from investing in certain industries, and their investment of certain other industries in a given company is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time.

Other Foreign Investment

In addition to investments permitted under the Foreign Regulations and PRC Regulations, foreign investors (other than PRC persons) who wish to make (i) direct investments in the shares of ROC private companies or (ii) investment in 10 per cent. or more of the equity interest of an ROC company listed on the TWSE or the TPEx in any single transaction and PRC investors who wish to make (i) direct investment in the shares of ROC private companies or (ii) investments, individually or aggregately, in 10 per cent. or more of the equity interest of an ROC company listed on the TWSE or the TPEx in certain industries on the Positive List, are required to submit an Investment Approval application to the Investment Commission of the ROC Ministry of Economic Affairs or other government authority. The Investment Commission or such other government authority reviews Investment Approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the FSC). PRC investors other than QDII are prohibited from making investments in an ROC company listed on the TWSE or the TPEx if the investment is less than 10 per cent. of the equity interest of such ROC company.

Under current law, any non-ROC person possessing an Investment Approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment may be repatriated upon submitting certain required documents to the remitting bank, and investment capital and capital gains attributable to such investment may be repatriated after approvals of the Investment Commission or other authorities have been obtained.

In addition to the general restriction against direct investment by foreign investors in securities of ROC companies, foreign investors (other than PRC person) (except in certain limited cases) are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain other industries are restricted so that foreign investors (except in certain limited cases) may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

On the other hand, in addition to the general restriction against direct investment by PRC investors in securities of ROC companies, PRC investors may only invest in certain industries in the Positive List, as promulgated by the Executive Yuan. In addition, PRC investor who wishes to be elected as an ROC company's director or supervisor shall also submit an Investment Approval application to the Investment Commission or other government authority for approval.

Exchange Controls

The ROC Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated by the FSC and the CBC to handle foreign exchange transactions. Current regulations favor trade-related or service-related foreign exchange transactions. Consequently, foreign currency earned from exports of merchandize and services may now be retained and used freely by exporters. All foreign currency needed for the importation of merchandize and services may be purchased freely from the designated foreign exchange banks.

Aside from trade-related or service-related foreign exchange transactions, ROC companies and individual residents of the ROC reaching the age of 20 years old may, without foreign exchange approval, remit to and from the ROC foreign currencies of up to U.S.$50 million, or its equivalent, and U.S.$5 million, or its equivalent, respectively, in each calendar year. These limits apply to remittances involving a conversion between NT dollars and U.S. dollars or other foreign currencies. In addition, all private enterprises are required to register all medium– and long-term foreign debt with the CBC.

In addition, a foreign person may, subject to certain requirements but without foreign exchange approval, remit to and from the ROC foreign currencies of up to U.S.$100,000 (or its equivalent) per remittance if the required documentation is provided to the ROC authorities. This limit applies to remittances involving a conversion between NT dollars and U.S. dollars or other foreign currencies.

THE SECURITIES MARKETS IN THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Issuer, the Guarantors, the Managers or any of the Issuer's or the Guarantors' respective affiliates or advisors in connection with the offering of the Notes. The Issuer and the Guarantors only accept responsibility for correctly reproducing such information. References to the ROC FSC in this section include both ROC Securities and Futures Commission and the ROC Securities and Exchange Commission, its predecessor.

THE TWSE

In 1961, the FSC established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE. As at 28 February 2015, 856 companies had listed in the TWSE, equity securities on the market capitalization of companies listed on the TWSE was approximately NT$27.9 trillion.

The TPEx

To complement the TWSE, the TPEx was established in September 1982 on the initiative of the FSC to encourage the trading of securities of companies who do not qualify for listing on the TWSE. As at 28 February 2015, 687 companies had listed equity securities on the TPEx and the total market capitalization of those companies was approximately NT$2,687 billion.

Price Limits, Commissions, Transaction Tax and Other Matters

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, an order for sale or purchase of 500 or more trading lots of one class of securities, or securities of five or more different classes and trading amounts exceeding NT$15 million, must be registered and executed in accordance with the guidelines. Except for initial public offered shares within a certain period of time. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 7 per cent. above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the FSC based on market conditions. Brokerage commission can be set at any rate of the transaction price provided that any rate exceeding 0.1425 per cent. shall be reported to the TWSE and notify the client in advance. A securities transaction tax, currently levied at 0.3 per cent. of the transaction price, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Regulation and Supervision

The FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The FSC has responsibility for implementing ROC Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Law specifically empowers the FSC to promulgate necessary rules. ROC Securities and Exchange Law prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold 10 per cent. or more of the shares of the issuer. ROC Securities and Exchange Law prohibits trading by "insiders" based on non-public information that materially affects share price movement, after the information becomes precise, prior to publication of such information and within 18 hours after publication of such information. "**Insiders**" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold 10 per cent. or more of the issuing company's shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material non-public information due to an occupational or controlling relationship with the issuing company;

- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and

- any person who has learned material non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction.

ROC Securities and Exchange Law imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other documents related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Law provides for civil liability for material misstatements or omissions made by issuers.

The FSC does not have criminal or civil enforcement powers under ROC Securities and Exchange Law. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;

- temporary suspension of operation;

- imposition of administrative fines; and

- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC and foreign issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, delist the securities of these issuers.

SUBSCRIPTION AND SALE

The Issuer and the Guarantors have entered into a subscription agreement with Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited (Bank of China (Hong Kong) Limited together with The Hongkong and Shanghai Banking Corporation Limtied, the "**Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners**"), Australia and New Zealand Banking Group Limited and Mizuho Securities Asia Limited (Australia and New Zealand Banking Group Limited together with Mizuho Securities Asia Limited, the "**Joint Lead Managers and Joint Bookrunners**"), DBS Bank Ltd., Merrill Lynch International, Standard Chartered Bank and UBS AG, Hong Kong Branch (DBS Bank Ltd., Merrill Lynch International, Standard Chartered Bank and UBS AG, Hong Kong Branch together, the "**Co-Managers**", and Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Australia and New Zealand Banking Group Limited, Mizuho Securities Asia Limited, DBS Bank Ltd., Merrill Lynch International, Standard Chartered Bank and UBS AG, Hong Kong Branch together, the "**Managers**") dated 14 April 2015 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Managers, and the Managers have agreed to severally, but not jointly, subscribe and pay for, or procure subscribers to subscribe and pay for, the aggregate principal amount of the Notes.

The Subscription Agreement provides that the Issuer and the Guarantors will severally, but not jointly, indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent, and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer and the Guarantors for which they have received, or will receive, fees and expenses.

In connection with the offering of the Notes, the Managers and/or their respective affiliates, or affiliates of the Issuer or any Guarantor, may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes). Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or any Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the Offering. Accordingly, references herein to the Notes being 'offered' should be read as including any offering of the Notes to the Managers and/or their respective affiliates, or affiliates of the Issuer or any Guarantor for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. The Issuer, the Guarantors and the Managers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or any Guarantor, including the Notes. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or any Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

In connection with the issue of the Notes, any of the Managers appointed and acting in its capacity as stabilizing manager (the "**Stabilizing Manager**") or any person acting on behalf of the Stabilizing Manager may over-allot the Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager will undertake stabilization action. Such stablization actions if commenced may be discontinued at any time, and must be brought to an end after a limited period. Such stablization actions shall be in compliance with all applicable laws, regulations and rules. These activities will be undertaken solely for the account of the Stabilizing Manager, and not for or on behalf of the Issuer. Any loss or profit sustained as a consequence of any such over-allotment or stabilization shall be for the account of the Managers.

General

The Notes are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Notes. The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented that it has not offered or sold, and agrees that it will not offer or sell, any of the Notes and the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each of the Managers has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Managers has represented, warranted and undertaken that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("SFO") and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each Manager has acknowledged that this Offering Circular will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

ROC

The offer of the Notes has not been and will not be registered with the Financial Supervisory Commission of the ROC pursuant to relevant securities laws and regulations and may not be sold, issued or offered within the ROC through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of the ROC that requires a registration or approval of the Financial Supervisory Commission of the ROC. No person or entity in the ROC has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of any Notes in the ROC.

Cayman Islands

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Notes and no such invitation is made hereby. Each of the Managers has represented, warranted and undertaken that the public in the Cayman Islands will not be invited to subscribe for the Notes.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code of the Notes is 121440679 and the ISIN is XS1214406792.

2. **Authorizations:** The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issue of and performance of its obligations under the Notes and the Trust Deed. The issue of the Notes was authorized by resolutions of the Board of Directors of the Issuer setting up a committee to approve of the documents under the Notes passed on 18 March 2015 and the written resolutions of the sole member of such committee dated 2 April 2015. Each of the Guarantors has obtained all necessary consents, approvals and authorizations in connection with the giving of the Guarantee. The giving of the Guarantee was authorized by resolutions of the Boards of Directors of each of Formosa Plastics, Nan Ya Plastics, Formosa Chemicals & Fibre and Formosa Petrochemical on 24 March 2015, 25 March 2015, 20 March 2015 and 19 March 2015, respectively.

3. **No Material Adverse Change:** There has been no material adverse change on the condition (financial or otherwise), prospects, results of operations, general affairs or properties of the Issuer, any Guarantor and any Guarantor Group since 31 December 2014.

4. **Litigation:** Neither the Issuer, the Guarantors nor any member of any Guarantor Group is involved in any litigation or arbitration proceedings that the Issuer or any Guarantor believes are material in the context of the Guarantee or the issue of the Notes nor is the Issuer or any Guarantor aware that any such proceedings are pending or threatened.

5. **Available Documents:** Copies of each Guarantor's annual reports for the years ended 31 December 2013 and 2014 and the latest audited financial statements of the Issuer for the years ended 31 December 2013 and 2014 will be available for inspection at the office of Formosa Plastics Group during normal business hours, so long as any of the Notes is outstanding. Copies of the Trust Deed and the Agency Agreement will be available for inspection from the Issue Date at the specified office of the Principal Paying Agent (presently at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong) during normal business hours, so long as any of the Notes is outstanding.

6. **Financial Statements:** (a) The audited financial statements of the Issuer as at and for the years ended 31 December 2013 and 2014, which are included elsewhere in this Offering Circular, have been audited by KPMG, as stated in its report appearing herein. (b) The audited consolidated financial statements of Formosa Plastics as at and for the years ended 31 December 2013 and 2014, which are included elsewhere in this Offering Circular, have been audited by KPMG, as stated in its report appearing herein. We draw your attention to the reference in the KPMG report that the KPMG report is based partially upon the report of other auditors. (c) The audited consolidated financial statements of Nan Ya Plastics as at and for the years ended 31 December 2013 and 2014, which are included elsewhere in this Offering Circular, have been audited by KPMG, as stated in its report appearing herein. We draw your attention to the reference in the KPMG report that the KPMG report is based partially upon the report of other auditors. (d) The audited consolidated financial statements of Formosa Chemicals & Fibre as at and for the years ended 31 December 2013 and 2014, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, Taiwan, as stated in its report appearing herein. (e) The audited consolidated financial statements of Formosa Petrochemical as at and for the years ended 31 December 2013 and 2014, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young, as stated in its report appearing herein.

7 Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates.

In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the Paying Agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements of Formosa Plastics as at and for the year ended 31 December 2014

Audited Consolidated Financial Statements of Nan Ya Plastics as at and for the year ended 31 December 2013

Audited Consolidated Financial Statements of Nan Ya Plastics as at and for the year ended 31 December 2014

Audited Consolidated Financial Statements of Formosa Chemicals & Fibre as at and for the year ended 31 December 2013

Audited Consolidated Financial Statements of Formosa Chemicals & Fibre as at and for the year ended 31 December 2014

Audited Consolidated Financial Statements of Formosa Petrochemical as at and for the year ended 31 December 2013

Audited Consolidated Financial Statements of Formosa Petrochemical as at and for the year ended 31 December 2014

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei, 11049, Taiwan, R.O.C.
Telephone 電話 +886 (2) 8101 6666
Fax 傳真 +886 (2) 8101 6667
Internet 網址 www.kpmg.com.tw

Independent Auditors' Report

The Board of Directors
Formosa Group (Cayman) Limited

We have audited the accompanying statements of financial position of Formosa Group (Cayman) Limited (the "Company") as of December 31, 2013, and the related statements of comprehensive loss, changes in equity and cash flows for the period from March 28, 2013 (inception date) to December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express a report on these financial statements based on our audit.

We conducted our audit in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China (ROC). Those rules and standards require that we plan and perform the audit to obtain reasonable 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Formosa Group (Cayman) Limited as of December 31, 2013, and the results of its operations and its cash flows for the period from March 28, 2013 (inception date) to December 31, 2013, in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the ROC Financial Supervisory Commission (FSC) (hereinafter referred to IFRS as endorsed by the FSC).

KPMG

Taipei, Taiwan (the Republic of China)
March 14, 2014

FORMOSA GROUP (CAYMAN) LIMITED
(A Company In The Development Stage)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013
(Expressed in U.S. Dollars)

	Note	**December 31, 2013**
Asset		
Current asset:		
Cash	6(a)	$ 48,280
Total asset		**$ 48,280**
Equity		
Ordinary shares	5(a)	$ 50,000
Accumulated deficit		(1,720)
Total equity		**$ 48,280**

See accompanying notes to financial statements.

FORMOSA GROUP (CAYMAN) LIMITED
(A Company In The Development Stage)

STATEMENTS OF COMPREHENSIVE LOSS

FOR THE PERIOD FROM MARCH 28, 2013 (INCEPTION) TO DECEMBER 31, 2013
(Expressed in U.S. Dollars)

		For the period from March 28, 2013 (inception) to December 31, 2013
Operating expenses:		
Administrative and general expenses	$	(1,720)
Total operating expenses		(1,720)
Operating loss		(1,720)
Loss before income tax		(1,720)
Income tax		-
Net loss for the period		(1,720)
Other comprehensive loss (net after tax)		-
Total comprehensive loss for the period	**$**	**(1,720)**

See accompanying notes to financial statements.

FORMOSA GROUP (CAYMAN) LIMITED
(A Company In The Development Stage)

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD FROM MARCH 28, 2013 (INCEPTION) TO DECEMBER 31, 2013
(Expressed in U.S. Dollars)

	Ordinary shares	Accumulated deficit	Total equity
Issuance of common stock for cash on March 28, 2013	$ **50,000**	-	50,000
Net loss / total comprehensive loss for the period from March 28, 2013 to December 31, 2013	-	(1,720)	(1,720)
Balance as of December 31, 2013	**$ 50,000**	**(1,720)**	**48,280**

See accompanying notes to financial statements.

FORMOSA GROUP (CAYMAN) LIMITED
(A Company In The Development Stage)

STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM MARCH 28, 2013 (INCEPTION) TO DECEMBER 31, 2013
(Expressed in U.S. Dollars)

		For the period from March 28, 2013 (inception) to December 31, 2013
Cash flows from operating activities:		
Net loss before tax		(1,720)
Net cash provided by operating activities		(1,720)
Cash flows from financing activities:		
Proceeds from capital increase in cash		50,000
Net cash used in financing activities		50,000
Cash at end of year	**$**	**48,280**

See accompanying notes to financial statements.

FORMOSA GROUP (CAYMAN) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013
(All amounts are expressed in U.S. Dollars)

(1) Organization and Principal Activities

Formosa Group (Cayman) Limited (the "Company") was incorporated on March 28, 2013 and registered under the law of Cayman Islands with registered address at the offices of Offshore Incorporations (Cayman) Limited, Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands. As of December 31, 2013, the Company was in the development stage. Hence, there were no operating activities. The registered business scope of the Company is mainly investment.

(2) Approval date and procedures of the financial statements

The financial statements as of December 31, 2013 were authorized for issue by the Board of Directors on March 14, 2014.

(3) Summary of Significant Accounting Policies

(a) New standards and interpretations endorsed by the Financial Supervisory Commission R.O.C. ("FSC") but not yet effective

In November, 1999, International Accounting Standards Board ("IASB") issued International Financial Reporting Standard No. 9 Financial instruments ("IFRS 9"), which is effective on January 1, 2013 (In December, 2011, IASB postponed the effective date to January 1, 2015. In November 2013, IASB announced the withdrawal of such compulsory effective date of January 1, 2015 in order to help financial report issuers to have more sufficient time in converting to new rule. The new effective date is yet to be determined.) This standard had been endorsed by the FSC but the effective date thereof has not been announced. In accordance with the rules of the FSC, early adoption is not permitted, and companies are required to follow the guidance in accordance with the 2009 version of the International Accounting Standards No. 39 Financial instruments ("IAS 39"). The adoption of this new standard may impact the classification and measurement of financial instruments in the financial statements.

(b) New standards and interpretations not yet endorsed by the FSC

The following are the new standards and amendments issued by the IASB but are not yet endorsed by the FSC until the reporting date that may impact the Company:

Issue date	New standards and amendments	Description	Effective date per IASB
December 16, 2011	Amended IAS 32 "financial instrument: Presentation"	Amended the offsetting rule of financial assets and financial liabilities (more guidance for judgment is provided) and relevant disclosure. The adoption of above rule may affect the valuation and presentation of financial assets and liabilities.	2014.1.1 (for presentation) 2013.1.1 (for disclosure)

Issue date	New standards and amendments	Description	Effective date per IASB
June 16, 2011	Amended IAS 1 "Presentation of Financial Statements"	Items presented in other comprehensive income shall be based on whether they are potentially re-classifiable to profit or loss subsequently. The adoption of above rule may affect the presentation of other comprehensive income in the statement of other comprehensive income.	July 1, 2012

(4) Summary of Significant Accounting Policies

The following significant accounting policies are adopted in the accompanying financial statements. Except for those additional accounting policy disclosures described herein, the significant accounting policies have been applied consistently to all the reporting periods presented in the financial statements.

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and IFRS as endorsed by the FSC.

(b) Basis of preparation

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in U.S. Dollars, which is the Company's functional currency.

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

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

1. The asset is expected to be realized, or sold or consumed, during the Company's normal operating cycle;

2. The asset is held primarily for the purpose of trading;

3. The asset is expected to be realized within twelve months after the balance sheet date; or

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

(Continued)

FORMOSA GROUP (CAYMAN) LIMITED

NOTES TO FINANCIAL STATEMENTS

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

1. The liability is expected to be settled during the Company's normal operating cycle;

2. The liability is held primarily for the purpose of trading;

3. The liability is due to be settled within twelve months after the balance sheet date; or

The Company does not have any unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(5) Significant Accounts

(a) Equity

For the years ended December 31, 2013, movements of the capital were as follows:

Share capital

	Ordinary shares
Capital stock issued for cash on March 28, 2013	50,000
Balance as of December 31, 2013	**50,000**

On March 28, 2013, the Company was established with authorized share capital of $50,000 divided into 50,000 ordinary shares with par value of $1 per share. The shareholders of the Company were Formosa Plastics Corporation, Nan Ya Plastics Corporation, Formosa Chemicals & Fibre Corporation and Formosa Petrochemical Corporation, and each shareholder owned 12,500 ordinary shares of the Company with par value of $1, amounted to $12,500. Also, the process for the registration thereof was completed.

As of December 31, 2013, the Company's total authorized and issued capital stock amounted to $50,000, with $1 par value per share.

(Continued)

(6) Financial Instruments

(a) Fair value of financial instruments

The carrying amount of cash is believed to be a reasonable approximation of its fair value as of December 31, 2013.

(7) Financial Risk Management

(a) Framework of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework, and is responsible for developing and monitoring the Company's risk management policies.

The risk management policies are established to identify and analyze the Company's exposure to risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by the Internal Audit Department. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(b) Market risk

Market risk is the risk of changes in market prices including those of financial instruments. As the Company does not have such financial instruments, management believes that the Company is not exposed to significant market risk.

(c) Liquidity risk

Management believes that the Company's operating funds are deemed sufficient to fulfill future financial obligation, therefore, they are not expecting that liquidity risk is significant.

(8) Commitments and Contingencies

On December 16, 2013, the Company signed a loan agreement with Formosa Ha Tinh Steel Corporation. Under this loan agreement, the loan facility was in an aggregate principal amount not to exceed $2,300,000,000 with the expected drawdown schedule in the second quarter of 2014.

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei, 11049, Taiwan, R.O.C.
Telephone 電話 +886 (2) 8101 6666
Fax 傳真 +886 (2) 8101 6667
Internet 網址 www.kpmg.com.tw

Independent Auditors' Report

The Board of Directors
Formosa Group (Cayman) Limited

We have audited the accompanying statements of financial position of Formosa Group (Cayman) Limited (the "Company") as of December 31, 2013 and 2014, and the related statements of comprehensive (loss) income, changes in equity and cash flows for the period from March 28, 2013 (inception date) to December 31, 2013 and for the year ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express a report on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and auditing standards generally accepted in the Republic of China (ROC). Those rules and standards require that we plan and perform the audit to obtain reasonable 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Formosa Group (Cayman) Limited as of December 31, 2013 and 2014, and the results of its operations and its cash flows for the period from March 28, 2013 (inception date) to December 31, 2013 and for the year ended December 31, 2014, in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the ROC Financial Supervisory Commission.

KPMG

Taipei, Taiwan (the Republic of China)
March 18, 2015

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

FORMOSA GROUP (CAYMAN) LIMITED
(A Company In The Development Stage)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2014
(Expressed in U.S. Dollars)

	Note		December 31, 2013	December 31, 2014
Assets				
Current assets:				
Cash		$	48,280	969,327
Other receivables－related parties	6(b)		-	1,616,452,379
Total assets		**$**	**48,280**	**1,617,421,706**
Liabilities and Equity				
Current liabilities:				
Accrued expenses	6(c)		-	1,654,637
Total current liabilities			-	1,654,637
Non-Current liabilities:				
Long-term debts	5(a)		-	1,613,000,000
Total non-current liabilities			-	1,613,000,000
Total liabilities			-	1,614,654,637
Equity				
Ordinary shares	5(b)		50,000	50,000
(Accumulated deficit) Unappropriated retained earnings			(1,720)	2,717,069
Total equity			48,280	2,767,069
Total liabilities and equity		**$**	**48,280**	**1,617,421,706**

See accompanying notes to financial statements.

FORMOSA GROUP (CAYMAN) LIMITED
(A Company In The Development Stage)

STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

FOR THE PERIOD FROM MARCH 28, 2013 (INCEPTION) TO DECEMBER 31, 2013 AND THE YEAR ENDED DECEMBER 31, 2014
(Expressed in U.S. Dollars)

	Note	For the period from March 28, 2013 (inception) to December 31, 2013	For the year ended December 31, 2014
Operating expenses:			
Administrative and general expenses	7	$ (1,720)	(5,651)
Total operating expenses		(1,720)	(5,651)
Operating loss		(1,720)	(5,651)
Non-operating income and expenses			
Other income	5(c)	-	12,011,395
Finance costs	5(c)	-	(9,286,955)
Total non-operating income and expenses		-	2,724,440
(Loss) Income before income tax		(1,720)	2,718,789
Income tax		-	-
Net (loss) income		(1,720)	2,718,789
Other comprehensive income (net after tax)		-	-
Total comprehensive (loss) income		$ **(1,720)**	**2,718,789**

See accompanying notes to financial statements.

FORMOSA GROUP (CAYMAN) LIMITED
(A Company In The Development Stage)

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD FROM MARCH 28, 2013 (INCEPTION) TO DECEMBER 31, 2013 AND THE YEAR ENDED DECEMBER 31, 2014
(Expressed in U.S. Dollars)

	Ordinary shares	Accumulated deficit/Retained earnings	Total equity
Balance as of March 28, 2013	$ -	-	-
Issuance of common stock for cash	50,000	-	50,000
Net loss / total comprehensive loss for the period from March 28, 2013 to December 31, 2013	-	(1,720)	(1,720)
Balance as of December 31, 2013	50,000	(1,720)	48,280
Net income / total comprehensive income for the year ended December 31, 2014	-	2,718,789	2,718,789
Balance as of December 31, 2014	**$ 50,000**	**2,717,069**	**2,767,069**

See accompanying notes to financial statements.

FORMOSA GROUP (CAYMAN) LIMITED
(A Company In The Development Stage)

STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM MARCH 28, 2013 (INCEPTION) TO DECEMBER 31, 2013 AND THE YEAR ENDED DECEMBER 31, 2014
(Expressed in U.S. Dollars)

		For the period from March 28, 2013 (inception) to December 31, 2013	For the year ended December 31, 2014
Cash flows from operating activities:			
Net (Loss) Income before income tax	$	(1,720)	2,718,789
Adjustments for:			
Incomes and expenses not affecting cash flows:			
Interest expenses		-	9,286,955
Interest income		-	(12,011,395)
Incomes and expenses not affecting cash flows		-	(2,724,440)
Changes in operating assets and liabilities :			
Changes in operating liabilities :			
Accrued expenses		-	518,583
Total changes in operating liabilities		-	518,583
Total changes in operating assets and liabilities		-	518,583
Total adjustments		-	(2,205,857)
Cash generated from operations:		(1,720)	512,932
Interest received		-	10,559,016
Interest paid		-	(8,150,901)
Net cash provided by operating activities		(1,720)	2,921,047
Cash flows from investing activities:			
Increase in due from related parties (listed under other receivables －related parties)		-	(1,615,000,000)
Net cash used in investing activities		-	(1,615,000,000)
Cash flows from financing activities:			
Proceeds from long-term debts		-	1,613,000,000
Proceeds from capital increase in cash		50,000	-
Net cash provided by financing activities		50,000	1,613,000,000
Increase in cash		48,280	921,047
Cash at beginning of period/year		-	48,280
Cash at end of period/year	**$**	**48,280**	**969,327**

See accompanying notes to financial statements.

FORMOSA GROUP (CAYMAN) LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2014
(All amounts are expressed in U.S. Dollars)

(1) Organization and Principal Activities

Formosa Group (Cayman) Limited (the "Company") was incorporated on March 28, 2013 and registered under the law of Cayman Islands with registered address at the offices of Offshore Incorporations (Cayman) Limited, Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands. As of December 31, 2014, the Company was in the development stage. Hence, there were no relevant operating activities in the development stage. The registered business scope of the Company is mainly investment.

(2) Approval date and procedures of the financial statements

The financial statements were approved and authorized for issue by the Board of Directors on March 18, 2015.

(3) New and revised accounting standards and interpretations

(a) International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) issued, revised or amended by International Accounting Standard Board (IASB) which have been endorsed by Financial Supervisory Commission (FSC) effective for annual periods beginning on or after January 1, 2015 but not yet adopted by the Company at the date of issuance of the Company's financial statements, are listed below:

New, Revised or Amended Standards and Interpretations	Effective Date Prescribed by IASB
Amendments to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First - time Adopters"	July 1, 2010
Amendments to IFRS 7 "Disclosures - offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 (Investment entity took effect on January 1, 2014)
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Amendments to IAS 19 Employee Benefits	January 1, 2013
Amendments to IAS 32 Offsetting of Financial Assets and Financial Liabilities	January 1, 2014

The Company believes that the adoption of aforementioned 2013 version of IFRS endorsed by the FSC will not have any significant effect on the Company's financial statements.

(b) The IFRS issued by IASB but not yet endorsed by FSC

New, revised and amended standards and interpretations for IFRS issued by the IASB but not yet endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective date Prescribed by IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Account"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS16 and IAS 41 "Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Amendments to IFRIC Interpretation 21 "Levies"	January 1, 2014

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

(4) Summary of Significant Accounting Policies

The following significant accounting policies are adopted in the accompanying financial statements. Except for those additional accounting policy disclosures described herein, the significant accounting policies have been applied consistently to all the reporting periods presented in the financial statements.

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the ROC Financial Supervisory Commission (FSC) (hereinafter referred to IFRS as endorsed by the FSC).

(Continued)

(b) Basis of preparation

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in U.S. Dollars, which is the Company's functional currency.

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

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

1. The asset is expected to be realized, or sold or consumed, during the Company's normal operating cycle;

2. The asset is held primarily for the purpose of trading;

3. The asset is expected to be realized within twelve months after the balance sheet date; or

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

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

1. The liability is expected to be settled during the Company's normal operating cycle;

2. The liability is held primarily for the purpose of trading;

3. The liability is due to be settled within twelve months after the balance sheet date; or

The Company does not have any unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

FORMOSA GROUP (CAYMAN) LIMITED

NOTES TO FINANCIAL STATEMENTS

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in bank and call deposits with maturities of three months or less from the acquisition date, and with insignificant risk of changes in their fair value and high liquidity.

(e) Financial instruments

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

(i) Financial assets

Financial assets are categorized into loans and receivables.

I. Loans and receivables

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

Interest income from receivables is recognized in other income.

II. Impairment of financial asset

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

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

(Continued)

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

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

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

III. Derecognition of financial assets

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

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

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

(ii) Financial liabilities

I. Other financial liabilities

Financial liabilities which comprise of long-term loans, and accounts and other payables, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in finance costs.

(Continued)

II. Derecognition of financial liabilities

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

III. Offsetting of financial assets and liabilities

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

(f) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(5) Significant Accounts

(a) Long-term debts

	December 31, 2014			
	Currency	**Interest rate**	**Expiration**	**Amount**
Unsecured long-term debts	USD	1.3046%~1.5546%	2016~2017	$ 1,613,000,000

Unsecured long-term debts were obtained from HSBC and 8 other banks in 2014, which are payable in 2 to 3 years. Also, Formosa Plastics Corporation, Nan Ya Plastics Corporation, Formosa Chemicals & Fibre Corporation and Formosa Petrochemical Corporation have guaranteed these Company's unsecured long-term debts. Please refer to note 6 (c) for related information.

(b) Equity

On March 28, 2013, the Company was established with authorized share capital of $50,000, divided into 50,000 ordinary shares with par value of $1 per share. The shareholders of the Company were Formosa Plastics Corporation, Nan Ya Plastics Corporation, Formosa Chemicals & Fibre Corporation and Formosa Petrochemical Corporation. Each of these shareholders invested $12,500, divided into 12,500 ordinary shares of the Company with par value of $1. Also, the process for the registration thereof was completed.

As of December 31, 2013, and 2014, the Company's total authorized and issued capital stock both amounted to $50,000, with $1 par value per share.

(Continued)

(c) Non-operating income and expenses

(i) Other income

For the years ended December 31, 2013 and 2014, the components of other income were as follows:

	2013.3.28~ 2013.12.31	2014
Interest income	$ -	12,011,395

(ii) Finance costs

For the years ended December 31, 2013 and 2014, the components of finance costs were as follows:

	2013.3.28~ 2013.12.31	2014
Interest expense	$ -	9,286,955
Less: capitalized interest	-	-
	$ -	9,286,955

(d) Financial Instruments

(i) Categories of financial instruments

I. Financial assets

	For the years ended December 31	
	2013	2014
Cash	$ -	969,327
Other receivables－related parties	-	1,616,452,379
	$ -	1,617,421,706

(Continued)

II. Financial liabilities

		For the years ended December 31	
		2013	2014
Long-term debts	$	-	1,613,000,000
Accrued expense and other current liabilities		-	1,654,637
	$	-	1,614,654,637

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
December 31, 2014							
Non-derivative financial liabilities							
Unsecured long-term debts	$,1,613,000,000	1,652,832,658	-	-	1,444,602,556	208,230,102	-
Accrued expenses	1,654,637	1,654,637	1,654,637	-	-	-	-
	$ 1,614,654,637	1,654,487,294	1,654,637	-	1,444,602,556	208,230,102	-

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

(iii) Interest rate analysis

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

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income after tax by $16,130,000 for the year ended December 31, 2014.

(Continued)

(e) Fair value

(i) Fair value and carrying amount

The Company considers the carrying amounts of other receivables (including related parties) and long-term loans and borrowings as a reasonable approximation of fair value.

(ii) Valuation techniques and assumptions used in fair value determination

The fair value of financial assets and liabilities reported at fair value through profit or loss. When quoted prices are unavailable, the fair value is determined by certain valuation techniques, using estimation and assumptions under existing market conditions which are obtainable by the Company.

(f) Financial Risk Management

(i) Framework of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework, and is responsible for developing and monitoring the Company's risk management policies.

The risk management policies are established to identify and analyze the Company's exposure to risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by the Internal Audit Department. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(ii) Market risk

Market risk is the risk of changes in market prices including those of financial instruments. As the Company does not have such financial instruments, management believes that the Company is not exposed to significant market risk.

(Continued)

(iii) Liquidity risk

Management believes that liquidity risk is not significant as the Company's operating funds are deemed sufficient to fulfill future financial obligation.

(6) Related-party Transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate Controlling Party of the Company.

(b) Significant related-party transactions

(i) Financing transactions

Financing transactions with related parties were as follows:

	Due from related parties (recognized as other receivables–related parties)	
	December31, 2013	**December 31, 2014**
Other related parties	$ -	1,615,000,000

As of December 31, 2014, the interest revenue from the above-mentioned transactions amounted to $1,452,379, which was recognized as other receivables–related parties.

(c) Endorsements and guarantees

The Company's related parties, including Formosa Plastics Corporation, Nan Ya Plastics Corporation, Formosa Chemicals & Fibre Corporation and Formosa Petrochemical Corporation, provided a guarantee worth $1,665,000,000 for the Company's long-term loan. As of December 31, 2014, the guarantee fee payable to the guarantors amounted to $518,583, which was recognized under accrued expenses.

(7) Others

The nature of the Company's expenses were as follows:

	2013.3.28~ 2013.12.31	**2014**
Professional fees	$ -	3,311
Others	1,720	2,340
Total	**$ 1,720**	**5,651**

(Continued)

FORMOSA GROUP (CAYMAN) LIMITED

NOTES TO FINANCIAL STATEMENTS

(8) Commitments and Contingencies

On December 16, 2013, the Company signed a loan agreement with Formosa Ha Tinh Steel Corporation. Under this loan agreement, the Company granted a loan facility to Formosa Ha Tinh Steel Corporation with an aggregate principal amount not to exceed $2,300,000,000 with expected drawdown schedule in the second quarter of 2014. As of December 31, 2014, Formosa Ha Tinh Steel Corporation's borrowing from the Company amounted to $1,615,000,000.

(9) Subsequent Event

On February 11, 2015, the Company signed a syndicated loan agreement with the Bank of Taiwan, the lead bank of the syndicated loan, and 12 other banks for a loan of $1,500,000,000. Such loan is intended to finance the construction of plant and accessory equipment of Formosa Ha Tinh Steel Corporation.

安侯建業聯合會計師事務所
KPMG
68F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei, 11049, Taiwan, R.O.C.
Telephone 電話 +886 (2) 8101 6666
Fax 傳真 +886 (2) 8101 6667
Internet 網址 www.kpmg.com.tw

Independent Auditors' Report

The Board of Directors
Formosa Plastics Corporation:

We have audited the accompanying consolidated balance sheets of Formosa Plastics Corporation (the "Company") and its subsidiaries (collectively referred to as the "Consolidated Company") as of December 31, 2013, December 31, 2012, and January 1, 2012, the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company'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 investee companies under the equity method. The Consolidated Company's investments in the aforementioned investee companies were NT$133,336,206 thousand, NT$111,869,799 thousand and NT$110,816,255 thousand, constituting 32.62%, 30.95% and 31.70% of the consolidated total assets as of December 31, 2013, December 31, 2012, and January 1, 2012, respectively, and recognized share of profit of associates and joint ventures accounted for using equity method of these investee companies were NT$16,932,145 thousand and NT$7,926,035 thousand, constituting 73.10% and 46.63% of the consolidated income before income tax for the years ended December 31, 2013 and 2012, respectively. The consolidated financial statements of the aforementioned investee companies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investee companies, is based solely on the reports of other auditors.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Formosa Plastics Corporation and its subsidiaries as of December 31, 2013, December 31, 2012, and January 1, 2012, and the results of their operations and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards as endorsed by the ROC Financial Supervisory Commission (FSC), International Accounting Standards, IFRIC interpretations and SIC interpretations (hereinafter referred to IFRS as endorsed by the FSC).

We have audited the parent company only financial statements as of and for the years ended December 31, 2013 and 2012 and expressed a modified unqualified opinion thereon.

KPMG

Taipei, Taiwan (the Republic of China)
March 24, 2014

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with IFRS as endorsed by FSC in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between or any difference in the interpretation of the two versions, the Chinese language shall prevail.

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2013, DECEMBER 31, 2012 and JANUARY 1, 2012
(Expressed in thousands of New Taiwan Dollars)

	December 31, 2013	December 31, 2012	January 1, 2012
Assets			
Current assets：			
Cash and cash equivalents (note 6(1))	$ 7,672,877	10,205,819	7,894,994
Financial assets at fair value through profit or loss－current (note 6(2))	-	-	12,543
Available-for-sale financial assets－current(notes 6(3) and 8)	71,546,858	58,452,143	62,173,408
Notes receivable (note 6(4))	1,059,554	843,658	720,635
Accounts receivable, net (note 6(4))	8,699,422	6,946,049	7,402,314
Accounts receivable－related parties (notes 6(4) and 7)	4,631,945	4,183,397	3,878,203
Other receivables (note 6(4))	1,591,915	1,232,146	1,133,824
Other receivables－related parties (notes 6(4) and 7)	21,069,672	30,099,536	26,124,309
Inventories (note 6(5))	21,669,071	21,095,790	22,885,965
Non-current assets held for sale	-	-	177,895
Other current assets(note 7)	4,926,183	3,958,188	3,966,569
Total current assets	142,867,497	137,016,726	136,370,659
Non-current assets：			
Available-for-sale financial assets－non-current (note 6(3))	13,993,274	8,723,986	5,269,953
Financial assets carried at cost－non-current	2,416,168	2,416,168	2,416,168
Investments accounted for using equity method (notes 6(6) and 8)	152,358,544	120,822,316	115,928,273
Property, plant and equipment (notes 6(7), 7 and 8)	81,456,398	75,514,325	78,843,135
Intangible assets	638,075	623,000	859,083
Deferred tax assets (note 6(13))	1,670,569	1,843,427	1,836,841
Other assets (notes 6(4), 7 and 8)	13,345,840	14,435,880	8,031,067
Total non-current assets	265,878,868	224,379,102	213,184,520
Total assets	$ 408,746,365	361,395,828	349,555,179

	December 31, 2013	December 31, 2012	January 1, 2012
Liabilities and Equity			
Current liabilities:			
Short-term borrowings (notes 6(9) and 8)	$ 17,521,603	21,587,590	8,542,102
Short-term notes and bills payable (note 6(8))	3,099,844	8,198,406	-
Financial liabilities at fair value through profit or loss－current (note 6(2))	-	5,866	-
Accounts payable	4,478,098	3,886,487	3,473,839
Accounts payable－related parties (note 7)	12,853,759	9,950,926	8,645,429
Other payables	995,821	576,432	1,781,366
Other payables－related parties (note 7)	882,463	694,023	479,267
Current portion of bonds payable (notes 6(11))	5,996,474	8,993,952	5,994,902
Current portion of long-term debts (notes 6(10) and 8)	4,995,310	1,606,491	2,946,069
Other current liabilities (note 7)	8,854,481	7,106,568	7,108,384
Total current liabilities	59,677,853	62,606,741	38,971,358
Non-current liabilities：			
Financial liabilities at fair value through profit or loss－non-current (note 6(2))	-	-	14,369
Bonds payable (note 6(11))	53,893,227	39,917,889	27,950,138
Long-term debts (notes 6(10) and 8)	16,215,982	18,758,985	29,398,863
Deferred tax liabilities (note 6(13))	7,165,065	5,385,153	4,686,169
Accrued pension liabilities (note 6(12))	8,934,115	9,170,072	9,047,595
Other liabilities	423,770	405,050	225,373
Total non-current liabilities	86,632,159	73,637,149	71,322,507
Total liabilities	146,310,012	136,243,890	110,293,865
Equity attributable to owners of the parent (notes 6(14) (15)):			
Common stock	63,657,408	61,209,046	61,209,046
Capital surplus	11,275,671	11,227,517	11,227,689
Retained earnings			
Legal reserve	41,267,621	39,801,369	36,228,923
Special reserve	33,508,131	30,717,624	24,676,397
Unappropriated retained earnings	48,550,893	41,885,258	61,163,027
Total retained earnings	123,326,645	112,404,251	122,068,347
Other components of equity	64,176,629	40,311,124	44,756,232
Total equity	262,436,353	225,151,938	239,261,314
Total liabilities and equity	$ 408,746,365	361,395,828	349,555,179

See accompanying notes to consolidated financial statements.

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	For the years ended December 31,	
	2013	2012
Operating revenues (notes 6(16) and 7):	$ 215,424,768	196,878,954
Operating costs (notes 6(5)(13)(14),7 and 12)	199,760,375	181,568,110
Gross profit	15,664,393	15,310,844
Operating expenses (notes 6(13),7 and 12):		
Selling expenses	5,548,405	5,262,915
Administrative expenses	4,643,380	3,603,072
Research and development expenses	892,277	931,348
Total operating expenses	11,084,062	9,797,335
Operating income	4,580,331	5,513,509
Non-operating income and expenses (notes 6(17),7 and 12) :		
Other income	1,392,257	3,672,673
Other gains and losses	2,034,874	1,329,045
Finance costs	(1,482,832)	(1,325,409)
Recognized share of profit of associates and joint ventures accounted for using equity method, net (note 6(6))	16,639,868	7,808,878
Total non-operating income and expenses	18,584,167	11,485,187
Income before income tax	23,164,498	16,998,696
Less: income tax expense (note 6(13))	2,448,657	2,179,174
Net income	20,715,841	14,819,522
Other comprehensive income (loss):		
Exchange differences on translation of foreign operations	2,792,876	(2,274,521)
Unrealized gains (losses) on available-for-sale financial assets	18,364,002	(2,517,232)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	2,934,708	80,003
Less: Income tax benefit (expense) related to components of other comprehensive income (note 6(13))	226,081	(266,642)
Total other comprehensive income (loss), net of tax	23,865,505	(4,445,108)
Total comprehensive income (loss)	$ 44,581,346	10,374,414
Basic earnings per share (note 6(15))		
-before income tax	$ 3.64	2.67
-after income tax	$ 3.25	2.33

See accompanying notes to consolidated financial statements.

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent								
			Retained Earnings			Others			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange difference on translation of foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total Equity
Balance as of January 1, 2012	$ 61,209,046	11,227,689	36,228,923	24,676,397	61,163,027	-	44,756,232	-	239,261,314
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	3,572,446	-	(3,572,446)	-	-	-	-
Special reserve	-	-	-	6,041,227	(6,041,227)	-	-	-	-
Cash dividends	-	-	-	-	(24,483,618)	-	-	-	(24,483,618)
Other changes in capital surplus									
Changes in capital surplus	-	(172)	-	-	-	-	-	-	(172)
Net income for the year	-	-	-	-	14,819,522	-	-	-	14,819,522
Other comprehensive income for the period, net of income tax	-	-	-	-	-	(2,007,879)	(2,422,174)	(15,055)	(4,445,108)
Total comprehensive income for the period	-	-	-	-	14,819,522	(2,007,879)	(2,422,174)	(15,055)	10,374,414
Balance as of December 31, 2012	61,209,046	11,227,517	39,801,369	30,717,624	41,885,258	(2,007,879)	42,334,058	(15,055)	225,151,938
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	1,466,252	-	(1,466,252)	-	-	-	-
Special reserve according to No.10100125865 issued by FSC	-	-	-	2,790,507	(2,790,507)	-	-	-	-
Cash dividends		-	-	-	(7,345,085)	-	-	-	(7,345,085)
Stock dividends	2,448,362	-	-	-	(2,448,362)	-	-	-	-
Other changes in capital surplus									
Changes in equity of associates and joint ventures accounted for using equity method	-	48,296	-	-	-	-	-	-	48,296
Changes in capital surplus	-	(142)	-	-	-	-	-	-	(142)
Net income for the year	-	-	-	-	20,715,841	-	-	-	20,715,841
Other comprehensive income for the year, net of income tax	-	-	-	-	-	2,566,795	21,281,546	17,164	23,865,505
Total comprehensive income for the year	-	-	-	-	20,715,841	2,566,795	21,281,546	17,164	44,581,346
Balance as of December 31, 2013	$ 63,657,408	11,275,671	41,267,621	33,508,131	48,550,893	558,916	63,615,604	2,109	262,436,353

See accompanying notes to consolidated financial statements.

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan Dollars)

		2013	2012
Cash flows from operating activities:			
Income before income tax	$	23,164,498	16,998,696
Adjustments:			
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Depreciation expense		8,247,224	8,884,807
Amortization expense		615,585	826,124
Provision (reversal or provision) for bad debt expense		1,237	(194)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss		(5,866)	4,040
Interest expenses		1,482,832	1,325,409
Interest income		(668,751)	(825,420)
Share of profit of associates and joint ventures accounted for using equity method		(16,639,868)	(7,808,878)
Gain on disposal of property, plant and equipment		(133,559)	(14,183)
Property, plant and equipment transferred to expenses		249	901
Gain on disposal of non-current assets held for sale		-	(1,014,093)
Unrealized foreign exchange gain		(132,330)	(4,164)
Unclaimed dividend and overdue compensation of directors transferred to other income		(7,258)	(7,258)
Amortization of bond discount		30,290	21,526
Total adjustments to reconcile profit (loss)		(7,210,215)	1,388,617
Changes in operating assets and liabilities :			
Changes in operating assets :			
Notes receivable		(215,896)	(123,000)
Accounts receivable		(1,646,254)	463,081
Accounts receivable－related parties		(448,548)	(305,194)
Other receivables		(368,611)	(114,343)
Other receivables－related parties		(2,086,840)	(896,442)
Inventories		(399,689)	1,955,318
Other current assets		(967,995)	8,381
Total changes in operating assets		(6,133,833)	987,801
Changes in operating liabilities :			
Accounts payable		591,611	412,648
Accounts payable－related parties		2,902,833	1,305,497
Other payables		(62,914)	(269,136)
Other payables－related parties		384,599	46,859
Accrued expense and other current liabilities		1,743,076	58,703
Accrued pension liabilities		(235,957)	122,477
Total changes in operating liabilities		5,323,248	1,677,048
Total changes in operating assets and liabilities		(810,585)	2,664,849
Total adjustments		(8,020,800)	4,053,466
Cash generated from operations:		15,143,698	21,052,162
Interest received		677,593	841,441
Dividends received		2,165,949	5,921,631
Interest paid		(1,477,995)	(1,385,928)
Income tax paid		(240,985)	(2,176,248)
Net cash provided by operating activities		16,268,260	24,253,058
Cash flows from investing activities:			
Acquisition of available-for-sale financial assets		-	(2,250,000)
Acquisition of investments accounted for using equity method		(13,017,413)	(4,186,197)
Proceeds from disposal of non-current assets held for sale		-	1,191,988
Acquisition of property, plant and equipment		(13,148,670)	(6,532,224)
Proceeds from disposal of property, plant and equipment		673,529	29,910
(Increase) decrease in refundable deposits		(33,145)	7,372
Decrease (increase) in due from related parties (listed under other receivables－related parties)		11,168,093	(2,877,758)
Acquisition of intangible assets		(92,791)	(120,457)
Decrease (increase) in other assets		229,241	(6,958,117)
Net cash used in investing activities		(14,221,156)	(21,695,483)
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings		(4,067,001)	13,046,902
(Decrease) increase in short-term notes and bills payable		(5,098,562)	8,198,406
Proceeds from bonds issued		19,947,570	20,945,275
Repayment of bonds payable		(9,000,000)	(6,000,000)
Proceeds from long-term debts		8,277,481	12,600,000
Repayments of long-term debts		(7,431,665)	(24,579,456)
(Decrease) increase in due to related parties (listed under other payables－related parties)		(196,159)	167,897
Increase in other liabilities		18,721	17,750
Cash dividends paid		(7,336,651)	(24,456,215)
Net cash used in financing activities		(4,886,266)	(59,441)
Effect of foreign currency exchange translation		306,220	(187,309)
Increase(decrease) in cash and cash equivalents		(2,532,942)	2,310,825
Cash and cash equivalents at beginning of year		10,205,819	7,894,994
Cash and cash equivalents at end of year	**$**	**7,672,877**	**10,205,819**

See accompanying notes to consolidated financial statements.

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012
(All amounts are expressed in thousands of New Taiwan Dollars, except for per share information or unless otherwise specified)

1. Organization and principal activities

Formosa Plastics Corporation (the "Company") was incorporated on October 30, 1954, and established its factories in Kaohsiung City. The Company engages in the manufacture and sale of plastic raw materials, chemical fibers, and petrochemical products. The Company has gone through several capital increases and established many divisions, and become a well-diversified enterprise.

2. Approval date and procedures of the consolidated financial statements

The accompanying consolidated financial statements of the Company and its subsidiaries (the "Consolidated Company") for the years ended December 31, 2013 and 2012 were approved and authorized for issue by the Board of Directors on March 24, 2014.

3. New standards and interpretations not yet adopted

(a) New standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect.

The International Accounting Standards Board ("IASB") issued the International Financial Reporting Standard 9 Financial instruments ("IFRS 9") on November 2009, which should take effect on January 1, 2013 (In December, 2011, IASB postponed the effective date to January 1, 2015, and in November 2013, the IASB abolished the effective date as January 1, 2015 for preparers of financial reports to have sufficient time in translating to IFRSs, and the new effective date has not yet been announced). Under IFRS 9 endorsed by FSC, early adoption is not permitted, and companies shall follow the guidance in accordance to the 2009 version of the International Accounting Standards 39 Financial instruments ("IAS 39"). As of the reporting date, the effective date has not yet been announced. The adoption of this new standard is expected to have impacts on the classification and measurement of financial instruments in the consolidated financial statements.

(b) New standards and interpretations not yet endorsed by the FSC

The following are the new standards and amendments issued by the IASB but are not yet endorsed by the FSC until the reporting date that may impact the Consolidated Company:

Issue date	New standards and amendments	Description	Effective date per IASB
May 12, 2011 June 28, 2012	· IFRS 10 "Consolidated financial statements" · IFRS 11 "Joint arrangements" · IFRS 12 "Disclosure of interests in other entities" · Amendments to IAS 27 "Separate financial statements" · Amendments to IAS 28 "Investments in associates and joint ventures"	· On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. · The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities), other than consolidation process, in which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (concepts from joint controlled assets and joint controlled operations), and joint venture (concepts from jointly controlled entities), and removal of the proportionate consolidation method. · On June 28, 2012, amendments were issued to clarify the guidance over the transition period. The adoption of aforementioned amendments may result in changes in the judgment of the ability to control over part of the investees, and in more extensive disclosures of equity from subsidiaries and associates.	January 1, 2013
May 12, 2011	IFRS 13 Fair Value Measurement	Replaces fair value measurement guidance in other standards, and consolidated in one single guidance. The Consolidated Company may need further analysis that how the aforementioned amendments could affect the assets and liabilities. Moreover, aforementioned amendments may result in more disclosures of fair value.	January 1, 2013
June 16, 2011	Amendments to IAS 1 Presentation of Financial Statements	Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently. The adoption of aforementioned amendments may	July 1, 2012

(Continued)

Issue date	New standards and amendments	Description	Effective date per IASB
		change the presentation on the statement of comprehensive income.	
June 16, 2011	Amendments to IAS 19 Employee Benefits	Eliminates the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) into profit or loss; in addition, requires the immediate recognition of past service cost. The adoption of aforementioned amendments may change the measurement and presentation on accrued pension cost and actuarial gains and losses.	January 1, 2013
January 28, 2010	Amendments to IFRS 1 First -time Adoption of IFRS	Provide first-time adopters with limited exemption from comparative disclosures regarding to fair value and liquidity risk based on IFRS 7 “Financial Instruments: Disclosures”. The adoption of aforementioned amendments may change the disclosure and presentation of financial instruments.	July 1, 2010
May 20, 2013	IFRIC 21 Levies	IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.	January 1, 2014 Early adoption is permitted
May 29, 2013	Amendments to IAS 36 Impairment of Assets	The amended standard effective January 1, 2013 requires the Company to disclose the recoverable amount for each cash-generating unit (group of units) for which the carrying amount of goodwill or the intangible assets with indefinite useful lives allocated to that unit (group of units) are significant. Further amendments effective January 1, 2014 clarify that the Company is only required to disclose the recoverable amount in the period of impairment	January 1, 2014, early adoption is permitted

(Continued)

Issue date	New standards and amendments	Description	Effective date per IASB
		accrual or reversal. Furthermore, if the recoverable amount is based on the fair value, less, costs of disposal, the fair value hierarchy and key assumptions (level 2 or 3) used to measure its fair value should be disclosed. The Company believes that the adoption of the standards above will not have a significant effect on financial statements. The adoption of aforementioned amendments may result in a broader disclosure for asset impairment.	
November 21, 2013	Amendments to IAS 19 Employee Benefits	The amendments (2011) clarified the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. However, the amendments (2013) allowed, but not requested to provide relief in that entities are allowed to deduct contributions from service cost in the period in which the service is rendered. The adoption of aforementioned amendments may affect the presentation and measurement of accrued pension liabilities and actuarial gains or losses.	July 1, 2014, early adoption is permitted
December 16, 2011	・Amendments to IAS 32 Financial instruments : Presentation ・Amendments to IFRS 7 Financial instruments : Disclosures	The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, the amendments are intended to provide relief in that entities and are allowed to deduct contributions from service cost in the period in which the service is rendered. This was common practice prior to the 2011 amendments to IAS 19.	2014.1.1 (for presentation) 2013.1.1 (for disclosures)
December 12, 2013	・Amendments to IFRS 1 First-time Adoption of IFRS ・Amendments to IFRS 8 Operating Segments ・IFRS 13 Fair Value Measurement	Announced Annual Improvements – 2010- 2012 cycle and 2011-2013 cycle; major amendments include: ・Requires an entity to disclose the judgments made by management in applying the aggregation criteria. ・Clarifies the scope of financial	July 1, 2014, early adoption is permitted

(Continued)

Issue date	New standards and amendments	Description	Effective date per IASB
	· Amendments to IAS 24 Related Party Disclosures	instrument contracts which fair value is measured at net value. · Clarifies that key managements include the representatives assigned by legal person as corporate directors. · The adoption of aforementioned amendments may affect the recognition and accounting treatments of financial instruments and the scope of related party's disclosures.	

4. Summary of Significant Accounting Policies

The following significant accounting policies are adopted in the accompanying consolidated financial statements. Except for those additional accounting policy disclosures described herein, the significant accounting policies have been applied consistently to each of the periods presented in these consolidated financial statements, and have been applied consistently to the opening balance sheet as of January 1, 2012, which is prepared for the purpose of transitioning to IFRS as endorsed by the FSC.

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and the IFRS as endorsed by the FSC.

The accompanying consolidated financial statements are the Consolidated Company's first consolidated financial statements prepared in accordance with IFRS as endorsed by the FSC and IFRS 1 "First-time Adoption of International Financial Reporting Standards" also endorsed by the FSC. An explanation of how the transition to IFRS as endorsed by the FSC has affected the reported consolidated financial position, financial performance, and cash flows of the Consolidated Company is provided in note 14.

(b) Basis of preparation

Basis of measurement

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

(i) Financial instruments measured at fair value through profit or losses are measured at fair value (including derivative financial instruments).

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

(Continued)

(iii) Defined benefit assets are recognized as plan assets, plus, unrecognized past service cost and unrecognized actuarial loss, less, unrecognized actuarial gain and the present value of the defined benefit obligation.

Functional and presentation currency

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

(c) Basis of Consolidation

(i) Principles of preparing consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries (the Consolidated Company).

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in ownership equity

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

(ii) The percentages of ownership by the Company and its subsidiaries of subsidiaries included in the consolidated report are as follows:

			Percentage of Ownership (%)			
Investor	**Name of subsidiaries**	**Business activity**	**December 31,2013**	**December 31,2012**	**January1, 2012**	**Note**
The company	Formosa Plastics Corp. (Cayman Ltd).	Investment	100%	100%	100%	-
Formosa Plastics Corp. (Cayman Ltd.)	Formosa Industries (Hong Kong) Limited	Investment	100%	100%	100%	-
Formosa Plastics Corp. (Cayman Ltd.)	Formosa Industries (Ningbo) Co., Ltd.	Plastics	-	100%	100%	Note
Formosa Plastics Corp. (Cayman Ltd.)	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Acrylic Esters	-	100%	100%	Note
Formosa Plastics Corp. (Cayman Ltd.)	Formosa Polyethylene (Ningbo) Co., Ltd.	Polyethylene	-	100%	100%	Note
Formosa Industries (Hong Kong) Limited	Formosa Industries (Ningbo) Co., Ltd.	Plastics	100%	-	-	Note
Formosa Industries (Hong Kong) Limited	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Acrylic Esters	100%	-	-	Note
Formosa Industries (Hong Kong) Limited	Formosa Polyethylene (Ningbo) Co., Ltd.	Polyethylene	100%	-	-	Note
Formosa Industries (Hong Kong) Limited	Formosa Polypropylene (Ningbo) Co., Ltd.	Polypropylene	100%	100%	100%	-
Formosa Industries (Hong Kong) Limited	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	Absorbent polymer	100%	100%	100%	-
Formosa Industries (Hong Kong) Limited	Formosa electronic (Ningbo) Co., Ltd.	Electronics	100%	100%	100%	-

(Note) In order to combine the six subsidiaries to one company, including Formosa Industries (Ningbo) Co., Ltd., Formosa Acrylic Esters (Ningbo) Co., Ltd., Formosa Polypropylene (Ningbo) Co., Ltd., Formosa Super Absorbent Polymer (Ningbo) Co., Ltd., Formosa electronic (Ningbo) Co., Ltd. and Formosa Polyethylene (Ningbo) Co., Ltd., the Company modified its investment structure in 2013 through changing the holding company of Formosa Industries (Ningbo) Co., Ltd., Formosa Acrylic Esters (Ningbo) Co., Ltd. and Formosa Polyethylene (Ningbo) Co., Ltd. from Formosa Plastics Corp. (Cayman Ltd.) to Formosa Industries (Hong Kong) Limited. The registration of the above-mentioned investment structure modification has been completed in November, 2013.

(iii) All of the subsidiaries above included in consolidation.

(d) Foreign currency

(i) Foreign currency transaction

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

(Continued)

and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Foreign currency denominated non-monetary assets and liabilities measured at fair value are translated to the functional currency at the exchange rate on the date when fair value was determined. Foreign currency denominated non-monetary items measured at historical cost is translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the translation:

(ii) Foreign operations

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

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

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

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

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

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

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

(Continued)

(iii) The asset is expected to be realized within twelve months after the balance sheet date; or

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

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

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

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

(iii) The liability is due to be settled within twelve months after the balance sheet date; or

(iv) The Consolidated Company does not have any unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in bank and call deposits with maturities of three months or less from the acquisition date, and with insignificant risk of changes in their fair value and high liquidity.

Time deposits with maturity within three months or less that are intended for the purpose of meeting short-term cash requirement other than investment or any other purpose, and can be converted to cash with an insignificant risk of changes in their fair value are classified under cash and cash equivalents.

(g) Financial instruments

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

(i) Financial assets

Financial assets are categorized into financial assets at fair value through profit or loss, loans, receivables, and available-for-sale financial assets.

(Continued)

I. Financial assets at fair value through profit or loss

Financial assets classified under this category are mainly the financial assets held-for-trading, or designated as at fair value through profit or loss on initial recognition.

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. At initial recognition, financial assets in this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend and interest income, are recognized in profit or loss.

II. Available-for-sale financial assets

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

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

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

III. Loans and receivables

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

Interest income from receivables is recognized in other income.

(Continued)

IV. Impairment of financial asset

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

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

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

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

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

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

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

(Continued)

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

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

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

V. Derecognition of financial assets

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

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

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

(ii) Financial liabilities

I. Classification of debt or equity

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

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

(Continued)

II. Financial liabilities at fair value through profit or loss

Financial liabilities classified under this category are mainly financial liabilities held-for-trading, or designated as at fair value through profit or loss on initial recognition.

Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. At initial recognition, financial liabilities in this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which take into account any interest expense, are recognized in profit or loss.

III. Other financial liabilities

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

IV. Derecognition of financial liabilities

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

V. Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(Continued)

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use are reclassified as held for sale or held for distribution to owners. Immediately before classification as held for sale or held for distribution to owners, the assets, or components of a disposal group are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal group are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first be allocated to goodwill, and then the remaining assets and liabilities is apportioned on a pro rata basis, except that no loss is allocated to inventories, financial assets or deferred tax assets (out of ,the scope of IAS 36 – Impairments), which continue to be measured in accordance with the Group's accounting policies. Impairment losses on assets initially classified as held for sale or held for distribution to owners and any subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Depreciation of items of property, plant and equipment is discontinued when they are classified as non-current assets held for sale.

(j) Investment in associates

Associates are those entities in which the Consolidated Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Consolidated Company holds between 20% and 50% of the voting power of another entity.

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

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

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

(Continued)

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

(k) Joint-venture

Jointly controlled entity is an entity which is established as a result of a contractual arrangement between the Consolidated Company and other joint venture partners to jointly control over its financial policy and operating policy. Consensus for all decisions must be obtained from the joint venture partners. The Consolidated Company uses equity method to account for the jointly controlled entity.

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(Continued)

(iii) Depreciation

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

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

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

I. Buildings: 3 to 55 years.

II. Machinery and equipment: 3 to 25 years.

III. Miscellaneous equipment: 3 to 15 years.

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

(m) Intangible assets

(i) Goodwill

I. Initial Recognition

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

II. Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure:

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

(Continued)

(iv) Amortization:

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date that they are made available for use. The estimated useful lives for the current and comparative periods are as follows:

I. Technical development expense	5~15 years
II. Other intangible assets	6 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life are reviewed at least annually at each fiscal year-end. Any change thereof is treated as a change in an accounting estimate, and is charged to profit or loss.

(n) Impairment – Non-financial assets

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

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such reduction is treated as an impairment loss, which is charged to profit or loss.

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

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(Continued)

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

(o) Revenue recognition

(i) Sales of goods

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

(ii) Construction contracts

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

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

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

(iii) Rental

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

(Continued)

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average vesting period until the benefits become vested. To the extent that the benefits vest immediately, pension cost is recognized immediately in profit or loss.

All actuarial gains and losses on January 1, 2012, the date of transition to IFRS as endorsed by the FSC, were charged to retained earnings. Also, the Consolidated Company recognizes a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

I. 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and

II. 10% of the fair value of any plan assets at that date.

(Continued)

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

(iii) Short-term employee benefits

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

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

(q) Income taxes

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

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

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

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

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

(iii) the initial recognition of goodwill.

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

(Continued)

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

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

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

I. the same taxable entity; or

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

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

(r) Earnings per share

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

(s) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may incur revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Consolidated Company’s chief operating decision maker to make decisions about allocating the resources to the segment and assessing its performance.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainly

The consolidated financial statements are prepared in conformity with the IFRS as endorsed by the FSC, under which, management make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements is included in the following notes:

(a) Note 6(4)－Evaluation of impairment of accounts receivable

(b) Note 6(5)－Valuation of inventories

6. Significant Account Disclosures

(1) Cash and Cash Equivalents

		December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$	431	341	491
Bank deposit		2,140,551	2,564,267	1,523,703
Time deposits		5,531,895	7,363,085	6,370,800
Cash equivalents – repurchase agreements collateralized by corporate bonds		-	278,126	-
	$	7,672,877	10,205,819	7,894,994

Please refer to note 6(18) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Consolidated Company.

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

		December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading				
Forward exchange contracts	$	-	-	12,543
Financial liabilities held for trading				
Interest rate swap－current	$		(5,866)	
Interest rate swap－non-current	$	-	-	(14,369)

The Consolidated Company entered into several forward exchange contracts with banks to manage the risk from fluctuations of exchange rates for long-term loans.

(Continued)

As of December 31, 2013, December 31, 2012 and January 1, 2012, derivative financial instruments that did not qualify for hedge accounting were accounted for as financial liabilities reported at fair value through profit or loss, details of which were as follows:

(a) Forward exchange contracts:

	December 31, 2013		
	Nominal amount (in thousands)		Maturity Date
Buy USD/Sell TWD	USD	-	-

	December 31, 2012		
	Nominal amount (in thousands)		Maturity Date
Buy USD/Sell TWD	USD	-	-

	January 1, 2012		
	Nominal amount (in thousands)		Maturity Date
Buy USD/Sell TWD	USD	242,000	March 22, 2012

(b) Interest rate swap:

December 31, 2013				
Nominal amount		Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
NTD	-	-	-	-

December 31, 2012				
Nominal amount		Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
NTD	500,000	September 5, 2013	2.468%	NTD 90-day commercial paper in secondary market average rate

January 1, 2012				
Nominal amount		Maturity	Range of Interest Rates Paid	Range of Interest Rates Received
NTD	500,000	September 5, 2013	2.468%	NTD 90-day commercial paper in secondary market average rate

(Continued)

(3) Available-for-sale financial assets

		December 31, 2013	December 31, 2012	January 1, 2012
Listed securities:				
Listed stocks	$	85,540,132	67,176,129	67,443,361

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

	For the year ended December 31					
	2013			2012		
Security price on reporting date		Other comprehensive income (after tax)	Income (after tax)		Other comprehensive income (after tax)	Income (after tax)
I~~i~~ncrease1%	$	855,401	-		671,761	-
D~~d~~ecrease1%	$	(855,401)	-		(671,761)	-

Please refer to note 8 for available-for-sale financial assets pledged as collateral as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

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

		December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$	1,059,554	843,658	720,635
Accounts receivable		13,337,592	11,134,434	11,285,699
Other receivables－current		22,661,587	31,331,682	27,258,133
Other receivables－non-current		4,398,285	4,762,216	-
Less : allowance for doubtful receivables		(6,225)	(4,988)	(5,182)
	$	41,450,793	48,067,002	39,259,285

Movements of the allowance for doubtful receivables were as follows:

		For the years ended December 31 2013	2012
Balance, beginning of year	$	4,988	5,182
Provision of impairment		1,237	2,081
Reversal of impairment		-	(2,275)
Balance, end of year	$	6,225	4,988

(Continued)

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

(5) Inventories

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 13,442,372	13,230,532	14,528,207
Work in process	2,294,108	2,295,993	2,773,250
Raw materials	3,362,496	3,518,078	3,185,462
Supplies	666,807	642,390	862,527
Machinery and accessories in process	975,836	767,203	731,002
Goods in transit	927,452	641,594	805,517
	$ 21,669,071	21,095,790	22,885,965

As the net realizable value of inventories has increased because the circumstance that caused the inventory devaluation in prior period has improved, the Consolidated Company recognized gain from recovery in the value of inventories of $92,119 for the year ended December 31, 2013, which were credited to cost of goods sold. The Consolidated Company recognized a loss from devaluation of inventories of $704,988 for the year ended December 31, 2012, which were debited to cost of goods sold as the carrying value of inventories exceeded the net realizable value thereof.

None of the inventories was pledged as collateral as of December 31, 2013, December 31, 2012 and January 1, 2012.

(6) Investments accounted for using equity method

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

	December 31, 2013	December 31, 2012	January 1, 2012
Associates			
Formosa Petrochemical Corporation	$ 70,384,767	60,449,201	65,095,737
Formosa Plastics Corp., U.S.A.	33,395,659	26,372,449	22,562,939
Formosa Heavy Industries Corp.	7,043,031	6,192,808	5,617,228
Sky Dragon Investment Limited	3,663,782	2,208,286	1,628,672
Mai Liao Power Corp.	10,882,973	10,624,639	9,380,707
Formosa Sumco Technology Corporation	5,457,621	5,387,140	5,369,979
Formosa Transportation Corp.	608,223	579,440	547,918
Formosa Fairway Corp.	85,529	83,512	93,222
Yi-Jih Development Corp.	61,882	61,808	61,408
Ya Tai Development Corp.	73,799	27,321	27,822

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Formosa Automobile Corporation	$ -	-	-
Wha Ya Park Management Consulting Corporation Ltd.	1,802	(1,220)	(1,475)
Su-Hua Transportation Corporation	159,867	124,474	110,922
Formosa Environmental Technology Corporation	273,956	280,431	288,670
Formosa Resources Corporation	3,025,362	-	-
Formosa Group (Cayman) Limited	361	-	-
Formosa Ha Tinh Steel Corporation	15,236,443	6,744,231	3,483,346
Jointly controlled entities			
Formosa Asahi Spandex Co., Ltd	1,287,844	1,179,268	1,215,531
Formosa Daikin Advanced Chemical Co., Ltd.	593,891	508,528	445,647
Formosa Mitsui Advanced Chemical Co., Ltd.	121,752	-	-
	$ 152,358,544	120,822,316	115,928,273

For the years ended December 31, 2013 and 2012, the Consolidated Company's share of net income (loss) of associates and jointly controlled entities were as follows:

	For the years ended December 31 2013	2012
Associates		
Formosa Petrochemical Corporation	$ 7,818,144	860,261
Formosa Plastics Corp., U.S.A.	6,188,985	4,746,561
Formosa Heavy Industries Corp.	905,336	626,095
Sky Dragon Investment Limited	(204,489)	(98,024)
Mai Liao Power Corp.	1,528,458	1,484,086
Formosa Sumco Technology Corporation	93,026	17,191
Formosa Transportation Corp.	27,220	36,250
Formosa Fairway Corp.	(3,584)	(3,331)
Yi-Jih Development Corp.	74	399
Ya Tai Development Corp.	46,478	(501)
Formosa Automobile Corporation	33,805	39,102
Wha Ya Park Management Consulting Corporation Ltd.	3,022	255
Su-Hua Transportation Corporation	35,393	13,553
Formosa Environmental Technology Corporation	(6,528)	(8,237)
Formosa Group (Cayman) Limited	(13)	-
Formosa Resources Corporation	(17,285)	-
Formosa Ha Tinh Steel Corporation	(85,595)	(19,133)

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	For the years ended December 31 2013	2012
Jointly controlled entities		
Formosa Asahi Spandex Co., Ltd	$ 108,631	(21,907)
Formosa Daikin Advanced Chemical Co., Ltd.	170,970	136,258
Formosa Mitsui Advanced Chemical Co., Ltd.	(2,180)	-
	$ 16,639,868	7,808,878

(a) Associates

The market prices and carrying value of investments in publicly traded stocks of associates were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Book value	$ 75,842,388	65,836,341	70,465,716
Fair value	$ 235,703,161	247,045,923	268,845,261

The financial information in respect of the Consolidated Company's associates was as follows (before adjustment to the Consolidated Company's proportionate share):

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 948,073,232	810,789,784	775,814,652
Total liabilities	$ 351,332,765	358,252,944	352,371,499

	For the years ended December 31 2013	2012
Revenue	$ 1,154,692,148	1,106,379,895
Net income for the period	$ 62,040,274	31,512,624

On May 17, 2013 and June 27, 2013, the Consolidated Company acquired 25 percentage of ownership of Formosa Resources Corporation through cash investment amounting to $3,000,000, and had significant influence on this investee company.

On August 23, 2013, the Consolidated Company acquired 25 percentage of ownership of Formosa Group (Cayman) Limited through cash investment amounting to US$13 thousand (NT$377 thousand), and had significant influence on this investee company.

(Continued)

Since the Consolidated Company did not participate in Formosa Ha Tinh Steel Corporation's capital increase in the fourth quarter of 2013, the Consolidated Company decreased its percentage of ownership in Formosa Ha Tinh Steel Corporation. As a result, the Consolidated Company increased its capital surplus by $23,650 due to the relative increase of the Consolidated Company's equity interest in this investee company.

(b) Jointly controlled entities

The Consolidated Company owns 50 percent of the equity of Formosa Asahi Spandex Co., Ltd., which is a joint venture company invested in by the Consolidated Company and Asahi Kasei Fibers Corp. As of December 31, 2013, December 31, 2012 and January 1, 2012, the accounts of this investee were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Current assets	$ 1,934,049	1,484,266	1,333,042
Non-current assets	944,255	1,127,434	1,296,036
	$ 2,878,304	**2,611,700**	**2,629,078**
Current liabilities	$ 253,581	205,006	151,122
Non-current liabilities	49,035	48,158	46,894
	$ 302,616	**253,164**	**198,016**

	For the years ended December 31 2013	2012
Revenues	**$ 2,464,598**	**2,196,247**
Expenses	**$ 2,247,336**	**2,240,060**

The Consolidated Company owns 50 percent of the equity of Formosa Daikin Advanced Chemicals Co., Ltd., which is a joint venture company invested in by the Consolidated Company and Formosa Daikin Advanced Chemicals Co., Ltd. As of December 31, 2013, December 31, 2012 and January 1, 2012, the accounts of this investee were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Current assets	$ 497,753	456,094	446,134
Non-current assets	994,282	904,604	849,360
	$ 1,492,035	**1,360,698**	**1,295,494**
Current liabilities	$ 281,276	319,910	381,780
Non-current liabilities	22,977	23,732	22,420
	$ 304,253	**343,642**	**404,200**

(Continued)

	For the years ended December 31	
	2013	2012
Revenues	$ 1,248,080	1,169,204
Expenses	$ 906,140	896,688

(c) Collaterals

Please refer to Note 8 for investments accounted for using equity method pledged to bank's as collateral for loans as of December 31, 2013, December 31, 2012 and January 1, 2012.

(7) Property, Plant and Equipment

The cost, depreciation and impairment loss of property, plant and equipment of the Consolidated Company for the years ended December 31, 2013 and 2012 were as follows:

	Land	Buildings and constructions	Machinery and equipment	Other facilities	Construction in progress	Total
Cast or deemed Cost:						
Balance as of January 1, 2013	$ 6,974,170	24,907,989	148,024,707	5,430,859	6,940,246	192,277,971
Additions	33,340	530	216,367	153,719	12,744,714	13,148,670
Disposals	(529,251)	(12,898)	(399,756)	(137,872)	-	(1,079,777)
Reclassification	-	472,547	3,613,492	62,578	(4,135,203)	13,414
Effect of exchange rate changes	-	261,435	1,580,562	70,985	292,525	2,205,507
Balance as of December 31 , 2013	**$ 6,478,259**	**25,629,603**	**153,035,372**	**5,580,269**	**15,842,282**	**206,565,785**
Balance as of January 1, 2012	$ 6,982,079	24,780,104	144,196,271	5,202,042	6,320,764	187,481,260
Additions	2,091	5,363	384,658	240,239	5,899,873	6,532,224
Disposals	(10,000)	(8,574)	(319,400)	(103,885)	-	(441,859)
Reclassification	-	265,175	4,743,127	135,278	(5,265,553)	(121,973)
Effect of exchange rate changes	-	(134,079)	(979,949)	(42,815)	(14,838)	(1,171,681)
Balance as of December 31 , 2012	**$ 6,974,170**	**24,907,989**	**148,024,707**	**5,430,859**	**6,940,246**	**192,277,971**
Accumulated depreciation:						
Balance as of January 1, 2013	$ -	10,295,224	102,453,069	4,015,353	-	116,763,646
Depreciation for the period	-	909,487	7,023,975	313,762	-	8,247,224
Reclassification	-	(795)	-	795	-	-
Disposals	-	(5,627)	(393,383)	(135,797)	-	(539,807)
Effect of exchange rate changes	-	51,956	548,807	37,561	-	638,324
Balance as of December 31 , 2013	**$ -**	**11,250,245**	**109,627,468**	**4,231,674**	**-**	**125,109,387**
Balance as of January 1, 2012	$ -	9,432,969	95,408,674	3,796,482	-	108,638,125
Depreciation for the period	-	897,545	7,643,818	343,444	-	8,884,807
Disposals	-	(8,574)	(314,189)	(103,369)	-	(426,132)
Effect of exchange rate changes	-	(26,716)	(285,234)	(21,204)	-	(333,154)
Balance as of December 31 , 2012	**$ -**	**10,295,224**	**102,453,069**	**4,015,353**	**-**	**116,763,646**
Carrying amounts:						
Balance as of December 31 , 2013	**$ 6,478,259**	**14,379,358**	**43,407,904**	**1,348,595**	**15,842,282**	**81,456,398**
Balance as of December 31 , 2012	**$ 6,982,079**	**15,347,135**	**48,787,597**	**1,405,560**	**6,320,764**	**78,843,135**
Balance as of January 1, 2012	**$ 6,974,170**	**14,612,765**	**45,571,638**	**1,415,506**	**6,940,246**	**75,514,325**

(Continued)

(a) Collaterals

The property, plant and equipment pledged to secure bank loans as of December 31, 2013, December 31, 2012 and January 1, 2012, are described in note 8.

(b) As of December 31, 2013, December 31, 2012 and January 1, 2012, the Consolidated Company's parcels of land with title temporarily registered under the names of third parties for trust purpose had carrying value of $35,914, $35,914 and 36,490, respectively, which were recorded under property, plant and equipment. The Consolidated Company has implemented a deed of trust with the authorities to secure the Consolidated Company's rights related to the abovementioned properties.

(c) Please refer to note 6 (17) for the capitalized interest on borrowings for the purchase of the property, plant and equipment and gain (loss) on disposal of property, plant and equipment.

(8) Short-term notes and bills payable

	December 31, 2013		
	Institutions	Interest rate	Amount
Short-term notes and bills payable	Grand Bills Finance Corporation	0.620%	$ 600,000
Short-term notes and bills payable	Grand Bills Finance Corporation	0.600%	500,000
Short-term notes and bills payable	Mega Bills Finance Co., Ltd.	0.610%	2,000,000
			3,100,000
Less: Discount on short-term notes and bills payable			(156)
Total			$ 3,099,844

	December 31, 2012		
	Institutions	Interest rate	Amount
Short-term notes and bills payable	Ta Ching Bills Finance Corporation	0.790%	$ 500,000
Short-term notes and bills payable	Mega Bills Finance Co., Ltd.	0.790%	700,000
Short-term notes and bills payable	Union Bank of Taiwan Co., Ltd.	0.780%	3,100,000
Short-term notes and bills payable	Ctbc Commercial Bank Co., Ltd.	0.790%	700,000
Short-term notes and bills payable	Taipei Fubon Commercial Bank Co., Ltd.	0.800%	2,500,000
Short-term notes and bills payable	Taishin International Bank Co., Ltd.	0.790%	700,000
			8,200,000
Less: Discount on short-term notes and bills payable			(1,594)
Total			$ 8,198,406

	January 1, 2012		
	Institutions	Interest rate	Amount
Short-term notes and bill payable	-	-	-

(Continued)

(9) Short-term borrowings

Short-term borrowings consisted of the following:

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured short-term borrowings	$ 17,431,769	18,895,269	8,210,859
Letters of credit	-	-	154,550
Secured short-term borrowings	-	2,500,000	-
Employees' savings	89,834	192,321	176,693
Total	$ 17,521,603	21,587,590	8,542,102
Interest rate	0.880%-2.255%	0.833%-3.311%	0.740%-3.416%

The assets pledged for the above borrowings are described in note 8.

(10) Long-term debts

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

	December 31, 2013			
	Currency	Interest rate	Expiration	Amount
Unsecured long-term debts	NTD	1.1750%~1.5600%	2014-2017	$ 16,841,289
Secured long-term debts	NTD	1.5000%~1.5900%	2015-2016	4,370,003
				21,211,292
Less: current portion				(4,995,310)
Total				$ 16,215,982

	December 31, 2012			
	Currency	Interest rate	Expiration	Amount
Unsecured long-term debts	NTD	1.1691%~1.5600%	2013-2017	$ 14,265,571
Secured long-term debts	NTD	1.5000%~1.5900%	2013-2015	6,099,905
				20,365,476
Less: Current portion				(1,606,491)
Total				$ 18,758,985

	January 1, 2012			
	Currency	Interest rate	Expiration	Amount
Unsecured long-term debts	NTD	1.1200%~1.5000%	2012-2014	$ 21,361,917
Secured long-term debts	NTD	1.1080%~1.5900%	2012-2015	10,983,015
				32,344,932
Less: Current portion				(2,946,069)
Total				$ 29,398,863

(Continued)

(b) The assets pledged to secure loans are described in note 8.

(c) Secured bank loans

In order to raise funds to finance the Sixth Naphtha Cracker project and the construction of related factories, the Consolidated Company signed a syndicated loan agreement with Mega International Commercial Bank (formerly Chiao Tung Bank), the lead bank of the syndicated loan, and other banks on April 28, 1995. The details of the loan agreement are as follows:

(i) Credit line: $30,769,000 and US$242,000 thousand.
(ii) Interest rate: as settled with each participating bank.
(iii) Period: 10 to 15 years.
(iv) Collateral: the acquired land, buildings and machinery financed by the loan.
(v) The financial covenants under the loan agreement include the requirement to maintain certain financial ratios based on the audited financial reports. If the Company breaches these financial covenants, the syndicated banks may determine to declare the unpaid principal, interest, fees and other sums payable by the Company under the loan agreement to be immediately due and payable. These financial ratios are as follows:

I. Current Ratio (total current assets divided by total current liabilities): not lower than 100%, except for the syndicated loan of Sixth Naphtha Cracker project, which is not lower than 120%.

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

The Company did not breach the above mentioned financial convenants in respect of its financial statements as of December 31, 2013

(vi) As of December 31, 2013, NT$29,899,000 thousand and US$242,000 thousand of the credit line had been drawn.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(11) Bonds Payable

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic unsecured nonconvertible corporate bonds	$ 59,889,701	48,911,841	33,945,040
Less: current portion	(5,996,474)	(8,993,952)	(5,994,902)
Total	**$ 53,893,227**	**39,917,889**	**27,950,138**
Expiry	**2014~2023**	**2013~2022**	**2012~2016**

(12) Employee Benefits

(a) Defined benefit plan

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligations	$ 9,470,544	9,664,265	9,328,610
Fair value of plan assets	(232,775)	(263,662)	(281,015)
Net liabilities of defined benefit obligations	9,237,769	9,400,603	9,047,595
Unrecognized actuarial losses	(303,654)	(230,531)	-
Recognized liabilities for defined benefit obligations	$ **8,934,115**	**9,170,072**	**9,047,595**

The Consolidated Company has established an employee defined benefit retirement plan covering full-time employees. Under this plan, contributions are made to an independent fund that is deposited with Bank of Taiwan. Employees are eligible for retirement and payments of retirement benefits are based on years of service and the average salary for the last six months before the employee’s retirement according to the Labor Standards Law.

(i) Composition of the plan asset

The Labor Pension Fund Supervisory Committee manages the Consolidated Company’s pension fund which is being funded according to the Labor Standards Law. Under the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, this fund is required to distribute minimum income but such minimum income shall not be less than the interest income derived from two-year time deposit with the local banks.

(Continued)

As of December 31, 2013, the Consolidated Company's pension fund with Bank of Taiwan amounted to $225,671. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

(ii) Movements in present value of the defined benefit obligations

		2013	2012
Defined benefit obligations on January 1	$	9,664,265	9,328,610
Benefits paid		(529,777)	(189,417)
Current service and interest costs		272,217	290,517
Actuarial losses		63,839	234,555
Defined benefit obligations on December 31	**$**	**9,470,544**	**9,664,265**

(iii) Movements in fair value of defined benefit plan assets

Movements in fair value of defined benefit plan assets were as follows:

		2013	2012
Fair value of plan assets on January 1	$	263,662	281,015
Benefits paid from plan assets		(88,659)	(89,289)
Expected return on plan assets		4,139	4,300
Contributions from employer		62,917	63,612
Actuarial (losses) gains		(9,284)	4,024
Fair value of plan assets on December 31	**$**	**232,775**	**263,662**

(iv) Expense recognized in profit or loss

The pension costs recognized in profit or loss for the years ended December 31, 2013 and 2012 were as follows:

		2013	2012
Current service costs	$	113,493	118,909
Interest costs		158,724	171,608
Expected return on plan assets		(4,139)	(4,300)
	$	**268,078**	**286,217**
Operating costs	$	160,297	180,670
Selling expenses		5,990	6,474
Administrative expenses		101,791	99,073
	$	268,078	286,217
Actual return on plan asset	$	**(5,145)**	**8,324**

(Continued)

(v) Actuarial assumptions

The following are the principal actuarial assumptions for the years ended December 31, 2013 and 2012:

	2013	2012
Discount rate	1.90%	1.65%
Expected return on plan assets	1.65%	1.65%
Future salary increases	2.50%	2.50%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories.

(vi) Historical information for experience adjustments:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of the defined benefit obligation	$ 9,470,544	9,664,265	9,328,610
Fair value of plan assets	(232,775)	(263,662)	(281,015)
Net liabilities of obligations	**$ 9,237,769**	**9,400,603**	**9,047,595**
Experience adjustments arising on the present value of defined benefit plans	**$ 63,839**	**234,555**	**-**
Experience adjustments arising on the fair value of the plan assets	**$ 9,284**	**(4,024)**	**-**

(b) Defined contribution plan

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

The Consolidated Company's pension costs under the defined contribution pension plan amounted to \$241,441 and \$213,271 for the years ended December 31, 2013 and 2012, respectively.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(13) Income Tax

(a) Income tax expense

The details of income tax expense for the years ended December 31, 2013 and 2012 were as follows:

		2013	2012
Current income tax expense	$	721,968	1,220,134
Deferred tax expense			
The origination and reversal of temporary differences		1,726,689	959,040
Income tax expense	**$**	**2,448,657**	**2,179,174**

The amount of income tax recognized in other comprehensive income (loss) for the years ended December 31, 2013 and 2012 was as follows:

		2013	2012
Exchange differences on translation of foreign financial statements	**$**	**226,081**	**(226,642)**

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

		2013	2012
Income tax calculated based on pretax financial income	$	3,937,965	2,889,778
Effect of difference in income tax rate between foreign investee and the Company		627,097	162,080
Temporary differences		(498,956)	(443,646)
Tax- exempt income		(159,898)	(787,907)
Non-deductible expenses		(1,798,296)	(410,490)
10% income surtax on undistributed earnings		340,282	766,839
Tax adjustments on prior years requested by tax authority		463	2,520
Income tax expense	$	**2,448,657**	**2,179,174**

(Continued)

(b) Recognized deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

2013	Beginning balance	Recognized in income or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Unrealized gross profit	$ 446	490	-	936
Unamortized fixed manufacturing overhead	59,676	(15,407)	-	44,269
Accrued pension liability	1,559,314	(40,113)	-	1,519,201
Depreciation	11,754	(3,371)	-	8,383
Cumulative translation adjustment	127,436	-	(127,436)	-
Others	84,801	12,979	-	97,780
Total	$ 1,843,427	(45,422)	(127,436)	1,670,569
Deferred tax liabilities				
Foreign investment income under equity method	$ 5,263,699	1,726,111	-	6,989,810
Unrealized foreign currency exchange gain	55	34,720	-	34,775
Cumulative translation adjustment	-	-	98,645	98,645
Depreciation	42,133	(298)	-	41,835
Provision for losses on foreign investment	79,266	(79,266)	-	-
Total	$ 5,385,153	1,681,267	98,645	7,165,065

2012	Beginning balance	Recognized in income or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Unrealized gross profit	$ 2,404	(1,958)	-	446
Unamortized fixed manufacturing expense	38,483	21,193	-	59,676
Accrued pension liability	1,538,493	20,821	-	1,559,314
Depreciation	15,840	(4,086)	-	11,754
Cumulative translation adjustment	-	-	127,436	127,436
Others	241,621	(156,820)	-	84,801
Total	$ 1,836,841	(120,850)	127,436	1,843,427
Deferred tax liabilities				
Foreign investment income under equity method	$ 4,318,093	945,606	-	5,263,699
Unrealized foreign currency exchange gain	12,818	(12,763)	-	55
Cumulative translation adjustment	139,206	-	(139,206)	-
Depreciation	42,430	(297)	-	42,133
Provision for losses on foreign investment	173,622	(94,356)	-	79,266
Total	$ 4,686,169	838,190	(139,206)	5,385,153

(c) The Consolidated Company's income tax returns have been examined and approved through 2009 by the ROC tax authorities.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

		December 31, 2013	December 31, 2012	January 1, 2012
Undistributed earnings before 1997	$	432,111	432,111	432,111
Undistributed earnings after 1997		48,118,782	41,453,147	60,730,916
	$	48,550,893	41,885,258	61,163,027
Imputation credit account	$	2,890,480	3,258,305	3,327,280

	2013(estimated)	2012 (actual)
Tax deduction ratio for earnings distribution to ROC residents	7.10%	10.01%

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

(14) Equity

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's government registered total authorized capital and issued capital stock amounted to $63,657,408, $61,209,046 and $61,209,046, divided into 6,365,741 thousand, 6,120,905 thousand and 6,120,905 thousand shares of stock with $10 par value per share, respectively. All issued shares were paid up upon issuance.

The analysis of movements of shares outstanding for the years ended December 31, 2013 and 2012 were as follows:

	Ordinary Shares	
	2013	2012
Balance at January 1	6,120,905	6,120,905
Capital increase out of earnings	244,836	-
Balance at December 31	6,365,741	6,120,905

(a) Issuance of common stock

On June 14, 2013, the stockholders adopted a resolution to increase the capital to $63,657,408 and transfer unappropriated retained earnings of $2,448,362 for issuance of 244,836 shares of new common stock. The process for the registration of this capital increase was completed.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Capital surplus

The components of capital surplus were as follows:

		December 31, 2013	December 31, 2012	January 1, 2012
Paid-in capital in excess of par value	$	8,130,081	8,130,081	8,130,081
Overdue unpaid directors' remuneration and dividends		83,528	83,670	83,842
Paid in capital in excess of the par value derived from overseas corporate bond conversion		2,997,503	2,997,503	2,997,503
Treasury stock transactions		16,263	16,263	16,263
Equity in capital surplus of investee companies		48,296	-	-
	$	11,275,671	11,227,517	11,227,689

(c) Retained earnings

In accordance with the Company's articles of incorporation, the Company's annual earnings after providing for income tax are appropriated and distributed as follows:

- Cover prior year's accumulated deficit, if any;
- Of the remaining balance, if any, 10% is set aside as legal reserve;
- Of the remaining balance, if any, a certain amount is set aside as special reserve and as dividends;
- The remainder, together with accumulated earnings from prior year, is reported to the board of directors for purposes of making a plan for the distribution of dividends and bonuses for stockholders, directors, and supervisors.

(i) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gains) of $2,790,507, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No. 1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of special reserve amounted to $2,790,507 as of December 31, 2013.

(Continued)

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

(ii) Earnings distribution

The Company appropriates 0.1% to 1% of the distributable earnings after dividends as employees' bonuses and recognized as the Company's expenses in the year earnings are incurred. These bonuses and remuneration are charged to expense in the year when those earnings arise. Employees' bonuses amounted to $30,000 and $13,153 in 2013 and 2012, respectively. The difference between the amount of distribution approved in the shareholders' meeting in the following year and the amount recognized in the financial statements, if any, is accounted for as a change in accounting estimate and recognized in profit or loss. Following the approval of a resolution by stockholders, the related information can be obtained from the Market Observation Post System website of the Taiwan Stock Exchange.

Employees' bonuses amounted to $13,153 and $72,843 in 2012 and 2011, respectively. The aforementioned earnings distributions did not differ from those proposed by the board of directors and those estimated and accrued amount in the financial statements in 2012 and 2011.

Based on the resolutions approved by the stockholders during their meetings on June 14, 2013, and June 19, 2012, the Company's stockholders approved the distribution of the Company's earnings in 2012 and 2011 as follows:

	2012		2011	
	Dividends per share	Amount	Dividends per share	Amount
Dividends attributable to ordinary shareholders:				
Cash dividends	$ 1.20	7,345,085	4.00	24,483,618
Stock dividends	0.40	2,488,362	-	-
Total		$ 9,793,447		24,483,618

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) Other equity

	Exchange differences on translation of foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedge
Balance at January 1, 2013	$ (2,007,879)	42,334,058	(15,055)
Exchange differences on translation of foreign operations, net of tax			
-the consolidated Company	2,545,733	-	-
-associates	21,062	-	-
Unrealized gains (losses) on available-for-sale financial assets			
-the consolidated Company	-	18,364,002	-
-associates	-	2,917,544	17,164
Balance at December 31, 2013	$ 558,916	63,615,604	2,109
Balance at January 1, 2012	$ -	44,756,232	-
Exchange differences on translation of foreign operations, net of tax			
-the consolidated Company	(1,904,922)	-	-
-associates	(102,957)	-	-
Unrealized gains (losses) on available-for-sale financial assets			
-the consolidated Company	-	(2,517,232)	-
-associates	-	95,058	(15,055)
Balance at December 31, 2012	$ (2,007,879)	42,334,058	(15,055)

(15) Earnings Per Share

The basic earnings per share were calculated as follows:

	For the years ended December 31	
	2013	2012
Profit attributable to ordinary shareholders	$ 20,715,841	14,819,522
Weighted average number of outstanding ordinary shares (retrospectively adjusted for stock dividends)	$ 6,365,741	6,365,741
	$ 3.25	2.33

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(16) Revenue

For the years ended December 31, 2013 and 2012, the components of revenue were as follows:

	For the years ended December 31	
	2013	**2012**
Sale of goods	$ 212,809,296	194,820,149
Construction revenue	751,238	539,076
Others	1,864,234	1,519,729
	$ 215,424,768	**196,878,954**

(17) Non-operating income and expenses

(a) Other income

For the years ended December 31, 2013 and 2012, the components of other income were as follows:

	For the years ended December 31	
	2013	**2012**
Interest income	$ 668,751	825,420
Rental income	98,656	96,695
Dividends income	624,850	2,750,558
	$ 1,392,257	**3,672,673**

(b) Other gains and losses

For the years ended December 31, 2013 and 2012, the components of other gains and losses were as follows:

	For the years ended December 31	
	2013	**2012**
Gain on disposal of property, plant and equipment	$ 133,559	14,183
Gain on disposal of non-current assets held for sale	-	1,014,093
Foreign exchange gains (losses), net	1,530,001	(295,407)
Gain on financial liabilities at fair value through profit or loss, net	5,866	665
Other gains	613,172	787,899
Other losses	(247,724)	(192,388)
	$ 2,034,874	**1,329,045**

(Continued)

(c) Finance costs

For the years ended December 31, 2013 and 2012, the components of finance costs were as follows:

	For the years ended December 31	
	2013	2012
Interest expense	$ 1,516,245	1,397,162
Less: capitalized interest	(33,413)	(71,753)
	$ 1,482,832	1,325,409
Capitalized interest rate	1.37%~1.42%	1.40%~1.56%

(18) Financial Instruments

(a) Categories of financial instruments

(i) Financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for sale	$ -	-	12,543
Available-for-sale financial assets	85,540,132	67,176,129	67,443,361
Financial assets measured at cost	2,416,168	2,416,168	2,416,168
Cash and cash equivalents	7,672,877	10,205,819	7,894,994
Notes receivable, accounts receivable and other receivables (including related parties)	41,450,793	48,067,002	39,259,285
Total	$ 137,079,970	127,865,118	117,026,351

(ii) Financial liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Financial liabilities held for sale	$ -	5,866	14,369
Short-term borrowings	17,521,603	21,587,590	8,542,102
Short-term notes and bills payable	3,099,844	8,198,406	-
Accounts payable and other payables (including related parties)	19,210,141	15,107,868	14,379,901
Long-term debts (including current portion of long-term debts)	21,211,292	20,365,476	32,344,932
Bonds payable (including current portion of bonds payable)	59,889,701	48,911,841	33,945,040
Accrued expense and other current liabilities	8,854,481	7,106,568	7,108,384
Total	$ 129,787,062	121,283,615	96,334,728

(Continued)

(b) Credit Risk

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

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

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Consolidated Company's ten largest customers accounted for 38%, 43% and 38% of accounts receivable, respectively. The Consolidated Company did transactions with a large number of unrelated customers so that management believes no concentration of credit risk.

(c) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
December 31, 2013							
Non-derivative financial liabilities							
Unsecured bank loans	$ 34,273,058	34,805,833	17,625,205	6,450,569	2,548,773	8,181,286	-
Bonds payable	59,889,701	63,775,305	6,323,382	3,502,772	5,711,920	28,037,236	20,199,905
Secured bank loans	4,370,003	4,503,807	13,581	54,100	2,921,751	1,514,375	-
Accounts payable(including related parties)	17,331,857	17,331,857	17,331,857	-	-	-	-
Accrued expense and other current liability	8,854,481	8,854,481	8,854,481	-	-	-	-
Others	89,834	91,065	91,065	-	-	-	-
	$ 124,808,934	129,362,348	50,239,571	10,007,441	11,182,444	37,732,897	20,199,905
December 31, 2012							
Non-derivative financial liabilities							
Unsecured bank loans	33,160,840	33,617,704	12,592,872	7,460,793	10,552,026	3,012,013	-
Bonds payable	48,911,841	51,781,929	6,287,629	3,398,512	6,504,982	23,317,932	12,272,874
Secured bank loans	8,599,905	8,817,331	2,673,445	92,965	3,022,432	3,028,489	-
Accounts payable(including related parties)	13,837,413	13,837,413	13,837,413	-	-	-	-
Accrued expense and other current liability	7,106,568	7,106,568	7,106,568	-	-	-	-
Others	192,321	194,929	194,929	-	-	-	-
	$ 111,808,888	115,355,874	42,692,856	10,952,270	20,079,440	29,358,434	12,272,874

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
January 1, 2012							
Non-derivative financial liabilities							
Unsecured bank loans	$ 29,572,776	30,012,691	9,173,512	926,056	19,913,123	-	-
Bonds payable	33,945,040	35,424,826	3,309,637	3,277,812	9,401,740	19,435,637	-
Secured bank loans	10,983,015	10,933,225	37,726	125,400	2,606,303	8,163,796	-
Letters of credit	154,550	155,893	155,893	-	-	-	-
Accounts payable(including related parties)	12,119,268	12,119,268	12,119,268	-	-	-	-
Accrued expense and other current liability	7,108,384	7,108,384	7,108,384	-	-	-	-
Others	176,693	178,794	178,794	-	-	-	-
	$ 94,059,726	95,933,081	32,083,214	4,329,268	31,921,166	27,599,433	-

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

(d) Currency risk

(i) Exposure to currency risk

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

	December 31, 2013		
	Foreign currency (in thousand)	**Exchange Rate**	**New Taiwan Dollars**
Financial assets:			
Monetary items			
USD	$ 369,299	29.9500	11,060,505
EUR	40	41.2410	1,650
JPY	115,245	0.2846	32,799
CNY	4,963,879	4.9123	24,384,063
Financial liabilities			
Monetary items			
USD	501,793	29.9500	15,028,700
EUR	289	41.2410	11,919
JPY	49,321	0.2846	14,037
CNY	1,156,201	4.9123	5,679,606
SGD	-	-	-
GBP	-	-	-
CHF	42	33.6700	1,414
HKD	36	3.8520	139

(Continued)

	December 31, 2012		
	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars
Financial assets:			
Monetary items			
USD	$ 245,486	29.1360	7,152,480
EUR	74	38.4790	2,847
JPY	98,137	0.3358	32,954
CNY	5,545,392	4.6354	25,705,110
Financial liabilities			
Monetary items			
USD	464,891	29.1360	13,545,064
EUR	324	38.4790	12,467
JPY	35,970	0.3358	12,079
CNY	760,567	4.6354	3,525,532
SGD	26	23.7380	617
GBP	11	46.8130	515
CHF	8	31.8350	255
HKD	-	-	-

	January 1, 2012		
	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars
Financial assets:			
Monetary items			
USD	$ 270,714	30.2900	8,199,927
EUR	345	39.2030	13,525
JPY	25,701	0.3930	10,100
CNY	4,105,717	4.8072	19,737,003
Financial liabilities			
Monetary items			
USD	358,986	30.2900	10,873,686
EUR	1,018	39.2300	39,909
JPY	316,667	0.3930	124,450
CNY	594,504	4.8072	2,641,576
SGD	-	-	-
GBP	-	-	-
CHF	88	32.4900	2,859
HKD	-	-	-

(Continued)

(ii) Sensitivity analysis

The Consolidated Company's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans and borrowings, accounts payable and other payables which are denominated in different foreign currencies. A 1% depreciation of the NTD against the USD, EUR, JPY, SGD, GBP, CHF and HKD as of December 31, 2013 and 2012 would have increased the net income after tax by \$147,432 and \$157,969 for the years ended December 31, 2013 and 2012, respectively. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis assumes that all other variables remain constant.

(e) Interest rate analysis

The Consolidated Company's exposure to interest rate risk arising from financial assets and liabilities is described in Note 6(19).

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income after tax by \$986,226 and \$908,649 for the years ended December 31, 2013 and 2012, respectively.

(f) Fair value

(i) Fair value and carrying amount

The Consolidated Company considers the carrying amounts of notes receivable, accounts receivable (including related parties), other receivables (including related parties) and short-term/long-term loans and borrowings as a reasonable approximation of fair value.

(ii) Valuation techniques and assumptions used in fair value determination

The fair value of financial assets and liabilities reported at fair value through profit or loss, and financial assets available for sale is based on quoted market prices. When quoted prices are unavailable, the fair value is determined by certain valuation techniques, using estimation and assumptions under existing market conditions which are obtainable by the Consolidated Company.

(Continued)

(iii) Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels of fair value have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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

- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Available-for-sale financial assets				
Listed stocks	$ 85,540,132	-	-	85,540,132
Financial liabilities at fair value through profit or loss				
Interest rate swap	$ -	-	-	-
December 31, 2012				
Available-for-sale financial assets				
Listed stocks	$ 67,176,129	-	-	67,176,129
Financial liabilities at fair value through profit or loss				
Interest rate swap	$ -	5,866	-	5,866
January 1, 2012				
Available-for-sale financial assets				
Listed stocks	$ 67,443,361	-	-	67,443,361
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	12,543	-	12,543
Financial liabilities at fair value through profit or loss				
Interest rate swap	$ -	14,369	-	14,369

(19) Financial Risk Management

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

(Continued)

(a) Framework of risk management

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

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

(i) Accounts receivable and other receivables

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

(ii) Investments

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

(iii) Guarantee

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

(b) Liquidity risk

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

(Continued)

(c) Market Risk

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

(i) Foreign currency Risk

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

(ii) Interest rate risk

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

(20) Capital Management

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

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

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

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Total liabilities	$ 146,310,012	136,243,890	110,293,865
Less: cash and cash equivalents	(7,672,877)	(10,205,819)	(7,894,994)
Net liabilities	138,637,135	126,038,071	102,398,871
Total equity	262,436,353	225,151,938	239,261,314
Total capital	$ 401,073,488	351,190,009	341,660,185
Debt to capital ratio	34.57%	35.89%	29.97%

7. Related-party Transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate Controlling Party of the Consolidated Company and its subsidiaries.

(2) Significant related-party transactions

(a) Sales to related parties

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

	Operating revenues for the years ended December 31		Receivables from related parties		
	2013	2012	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 14,798,356	12,854,940	1,803,151	1,301,001	996,578
Jointly controlled entities	517,354	566,574	50,083	47,411	51,350
Other related parties	27,406,460	26,733,733	2,778,711	2,834,985	2,830,275
	$ 42,722,170	40,155,247	4,631,945	4,183,397	3,878,203

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

(b) Purchase from related parties

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

(Continued)

	Purchases for the years ended December 31		Accounts payable-related parties		
	2013	2012	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 117,361,038	103,767,773	12,102,865	9,405,879	8,379,035
Jointly controlled entities	41,820	38,206	3,276	195	3,461
Other related parties	6,493,672	5,458,850	747,618	544,852	262,933
	$ 123,896,530	**109,264,829**	**12,853,759**	**9,950,926**	**8,645,429**

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

(c) Property plant and equipment

	Purchase property, plant and equipment for the years ended December 31		Other payables-related parties		
	2013	2012	December 31, 2013	December 31, 2013	January 1, 2012
Other related parties	**$ 60,144**	**109,801**	**15,281**	**6,295**	**3,081**

(d) Financing transactions

Financing transactions with related parties were as follows:

	Due from related parties (recognized as other receivables–related parties)		
	December31, 2013	December 31, 2012	January 1, 2012
Associates	$ 5,504,441	8,322,414	8,258,972
Jointly controlled entities	73,685	-	-
Other related parties	12,410,000	20,800,000	17,784,655
	$ 17,988,126	**29,122,414**	**26,043,627**

As of December 31, 2013, December 31, 2012 and January 1, 2012, the interest revenue from the abovementioned transactions amounted to $47,504, $59,757 and $75,580, respectively, which was recognized as other receivables–related parties.

(Continued)

	Due to related parties (recognized as other payables–related parties)		
	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Other related parties	$ 622,061	456,561	288,664

As of December 31, 2013, December 31, 2012 and January 1, 2012, the interest expense from the abovementioned transactions amounted to $1,628, $1,114 and $126, respectively, which was recognized as other payables– related parties.

(e) Endorsements and guarantees

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Associates	$ 371,696	512,562	514,870

(ii) The amounts of commitment letters for related parties that the Consolidated Company had issued to financial institutions were as follows (expressed in thousands):

	December 31, 2013		**December 31, 2012**		**January 1, 2012**	
	USD	**CNY**	**USD**	**CNY**	**USD**	**CNY**
Associates	**$ 328,000**	**1,360,000**	**160,000**	**880,000**	**160,000**	**880,000**

(f) Other transactions

(i) The Consolidated Company's income received from related parties, such as sewage treatment income, wharf usage income and utility and steam income were as follows:

	Other receivables–related parties		
	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Other related parties	$ 26,948	54,303	5,102

(Continued)

(ii) The Consolidated Company's expenses paid to related parties, such as sewage treatment expense, wharf usage expense, utility and steam expenses, transportation expense and restoration expense were as follows:

	Other payables–related parties		
	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Other related parties	$ 245,121	231,167	187,522

(g) Receivables from payment on behalf of related parties

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
	Recognized as other receivables–related parties	**Recognized as other receivables–related parties**	**Recognized as other current assets**
Associates	$ 3,007,094	863,062	527,381

(ii) As of December 31, 2013, December 31, 2012 and January 1, 2012, the Consolidated Company paid the down payments on behalf of associated investee for the purchase of equipment of $4,398,285, $4,762,216 and $0, respectively, which were accounted for as prepayments (classified under other assets).

(h) Rental (recognized as other income)

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

	For the years ended December 31	
	2013	**2012**
Associates	$ 42,305	40,283
Jointly controlled entities	7,167	7,167
Other related parties	33,503	27,846
	$ 82,975	75,296

(Continued)

(3) Compensation of key management

The compensation to key management was as follows:

	For the years ended December 31	
	2013	2012
Short-term employee benefits	$ 52,348	62,712

8. Pledged Properties

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

Classification of assets	Nature of Pledged Assets	December 31, 2013	December 31, 2012	January 1, 2012
Fixed assets	Property plant and equipment	$ 4,035,070	10,145,661	12,452,118
Refundable deposits	Certificate of deposit	33,709	4,509	4,250
Available-for-sale financial assets	Stocks of Nan Ya Plastics Corp.	737,230	599,200	643,070
Investments accounted for using equity method	Stocks of Formosa Petrochemical Corp.	7,563,112	6,513,577	7,021,748
		$ 12,369,121	17,262,947	20,121,186

9. Commitments and Contingencies

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

	December 31, 2013	December 31, 2012	January 1, 2012
Endorsements and guarantees	$ 371,696	512,562	514,870

(b) The Consolidated Company had outstanding letters of credit for the importation of raw materials of $1,139,194, $1,122,694 and $849,357 as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

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

	December 31, 2013	December 31, 2012	January 1, 2012
USD	$ 328,000	160,000	160,000
CNY	$ 1,360,000	880,000	880,000

10. Significant Disaster Loss: None.

(Continued)

11. Subsequent Event: None.

12. Others

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

	For the years ended December 31,							
	2013				2012			
	Operating costs	Operating expenses	Non- operating expenses	Total	Operating costs	Operating expenses	Non- operating expenses	Total
Employee benefits								
Salaries	4,766,373	3,404,817	-	8,171,190	4,116,413	2,093,043	-	6,209,456
Labor and health insurance	323,295	222,016	-	545,311	268,959	184,087	-	453,046
Pension	303,536	205,983	-	509,519	309,209	190,279	-	499,488
Employees' bonuses	17,844	12,156	-	30,000	6,130	7,023	-	13,153
Others	105,001	65,635	-	170,636	99,493	58,550	-	158,043
Depreciation expenses	7,936,044	311,180	-	8,247,224	8,589,392	295,415	-	8,884,807
Amortization expenses	603,357	11,995	233	615,585	818,464	7,660	-	826,124

13. Segment Information

(a) General information:

The Consolidated Company's five reportable segments are: plastic division, polyolefin division, polypropylene division, tairylan division and chemical division. Plastic division is mainly engaged in the manufacture and sale of PVC; polyolefin division is mainly engaged in the manufacture and sale of polyethylene; polypropylene division is mainly engaged in the manufacture and sale of polypropylene; tairylan division is mainly engaged in the manufacture and sale of acrylic esters; chemical division is mainly engaged in the manufacture and sale of acrylonitrile.

The Consolidated Company's reportable segments are responsible for the Company's strategic business units, including the manufacturing and supplying of different products. Since each strategic business unit requires different technology and marketing strategies, it must be administered separately.

No tax expenses are allocated to the reporting segment. In addition, the reporting segment does not include depreciation and amortization of significant non-cash items. The reportable amount is similar to that of the report used by the chief operating decision maker.

The accounting policies of the operating segments are the same as those described in note 4. The operating segment's profit of the Consolidated Company uses the operating income before tax as the measurement and basis of performance evaluation. The Consolidated Company treats intersegment sales and transfers as third-party transactions. They are measured at market price.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Operating segments are combined and reconciled as follows:

	For the year ended December 31, 2013							
	Plastic division	**Polyolefin division**	**Polypropylene division**	**Tairylan division**	**Chemistry division**	**Others divisions**	**Adjustments and eliminated**	**Total**
Revenue:								
From external customers	$ 70,455,423	38,580,796	36,380,414	34,834,165	31,208,243	3,965,727	-	215,424,768
From sales among intersegments	1,780,154	2,115,699	122,762	80,010	3,550,959	5,563,065	(13,212,649)	-
Interest income	85,890	15,415	43,573	245,967	-	284,998	(7,092)	668,751
Total revenue	$ 72,321,467	40,711,910	36,546,749	35,160,142	34,759,202	9,813,790	(13,219,741)	216,093,519
Interest expense	149,210	33,731	145,093	508,768	24,495	628,627	(7,092)	1,482,832
Depreciation and amortization	3,221,382	237,386	1,011,851	874,679	711,251	2,806,260	-	8,862,809
Reportable segment profit or loss	$ 1,663,788	872,429	(286,004)	1,325,429	1,815,290	724,267	17,049,299	23,164,498
Capital expenditure of non-current assets	186,894	110,459	201,635	1,743,791	123,194	10,782,697	-	13,148,670
Reportable segment assets	$ 35,116,099	13,187,472	23,325,443	46,994,416	8,129,011	319,798,805	(37,804,881)	408,746,365
Reportable segment liabilities	$ 10,645,846	5,579,828	15,128,319	24,399,320	679,632	97,248,984	(7,371,917)	146,310,012

	For the year ended December 31, 2012							
	Plastic division	**Polyoefin division**	**Polypropylene division**	**Tairylan division**	**Chemistry division**	**Others divisions**	**Adjustments and eliminated**	**Total**
Revenue:								
From external customers	$ 70,389,587	31,644,199	27,065,433	34,396,658	30,070,574	3,312,503	-	196,878,954
From sales among intersegments	1,907,020	2,002,892	118,373	129,732	3,157,693	6,029,223	(13,344,933)	-
Interest income	112,290	20,128	19,465	308,030	-	406,541	(41,034)	825,420
Total revenue	$ 72,408,897	33,667,219	27,203,271	34,834,420	33,228,267	9,748,267	(13,385,967)	197,704,374
Interest expense	171,130	38,396	33,846	323,821	34,511	764,739	(41,034)	1,325,409
Depreciation and amortization	3,266,276	492,413	441,833	2,738,317	1,527,669	1,244,423	-	9,710,931
Reportable segment profit or loss	$ 4,224,829	249,173	(1,279,164)	1,363,576	1,857,553	118,642	10,464,087	16,998,696
Capital expenditure of non-current assets	1,260,968	1,900,695	105,152	2,739,889	287,350	238,170	-	6,532,224
Reportable segment assets	$ 37,280,111	9,271,825	21,306,267	42,494,775	9,502,074	274,908,267	(33,367,491)	361,395,828
Reportable segment liabilities	$ 10,578,935	2,237,731	2,857,623	21,326,923	2,010,432	90,293,114	6,939,132	136,243,890
January 1,2012								
Reportable segment assets	$ 39,675,434	12,482,674	23,584,889	40,211,544	11,568,870	277,286,061	(55,254,293)	349,555,179
Reportable segment liabilities	$ 10,102,206	1,030,451	14,740,386	14,170,332	266,655	92,914,694	(22,930,859)	110,293,865

(b) Geographic area information

The Consolidated Company's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are as follows:

Geographic	**2013**	**2012**
Revenue from external customers:		
Taiwan	$ 80,607,780	78,610,414
Mainland China	82,913,706	72,494,564
Others	51,903,282	45,773,976
	$ 215,424,768	196,878,954

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Non-current assets:			
Taiwan	$ 59,227,160	63,699,735	60,723,984
Mainland China	36,213,153	26,873,470	27,009,301
Total	$ 95,440,313	90,573,205	87,733,285

Non-current assets include property, plant and equipments, intangible assets and other assets, but do not include financial instruments and deferred tax assets.

(c) Major customers

There is no single customer's sale which exceeds 10% of the Consolidated Company's revenue.

14. First time adoption of IFRSs

The consolidated financial statements as of December 31, 2012 were prepared in accordance with the accounting principles generally accepted in the Republic of China (ROC GAAP). As described in note 4(a), these consolidated financial statements have been prepared in accordance with the Regulations and the IFRS as endorsed by the FSC. IFRS 1 "First-time Adoption of International Financial Reporting Standards" is also adopted in the preparation of these consolidated financial statements.

For comparison purposes, the accounting policies as shown in note 4 were also adopted to the consolidated financial statements as of and for the year ended December 31, 2012, and the statements of financial position as of December 31, 2012, and as of January 1, 2012 (which is the date when the Consolidated Company commences to first-time adopt the above mentioned IFRSs).

In preparing its opening statement of financial position for the first time adoption of IFRSs as endorsed by the FSC, the Consolidated Company has adjusted the amounts reported previously in its 2012 financial statements prepared in accordance with ROC GAAP. An explanation of how the transition from ROC GAAP to IFRS as endorsed by the FSC has affected the Consolidated Company's financial position, financial performance and cash flows is set out in the following tables and the related notes thereto.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(a) Reconciliation of items in consolidated statement of financial position

	December 31, 2012			January 1, 2012		
	ROC GAAP	Adjustments	IFRSs	ROC GAAP	Adjustments	IFRSs
Current assets:						
Cash and cash equivalents	$ 10,205,819	-	10,205,819	7,894,994	-	7,894,994
Financial assets at fair value through profit or loss－current	-	-	-	12,534	-	12,534
Available-for-sale financial assets	58,452,143	-	58,452,143	62,173,408	-	62,173,408
Notes receivable	843,658	-	843,658	720,635	-	720,635
Accounts receivable, net	6,946,049	-	6,946,049	7,402,314	-	7,402,314
Accounts receivable－related parties	4,183,397	-	4,183,397	3,878,203	-	3,878,203
Other receivables	1,232,146	-	1,232,146	1,133,824	-	1,133,824
Other receivables－related parties	30,099,536	-	30,099,536	26,124,309	-	26,124,309
Inventories	21,095,790	-	21,095,790	22,885,965	-	22,885,965
Non-current assets held for sale	-	-	-	177,895	-	177,895
Other current assets	3,981,168	(22,980)	3,958,188	4,066,595	(100,026)	3,966,569
Total current assets	137,039,706	(22,980)	137,016,726	136,470,685	(100,026)	136,370,659
Other investments:						
Available-for-sale financial assets－non-current	8,723,986	-	8,723,986	4,916,968	352, 985	5,269,953
Financial assets carried at cost－non-current	2,416,168	-	2,416,168	3,022,618	(606, 450)	2,416,168
Investments accounted for using equity method	121,282,265	(459,949)	120,822,316	116,501,466	(573,193)	115,928,273
Property, plant and equipment	77,128,790	(1,614,465)	75,514,325	78,826,489	16,646	78,843,135
Intangible assets	1,084,646	(461,646)	623,000	1,426,876	(576,793)	859,083
Deferred tax assets	-	1,843,427	1,843,427	-	1,836,841	1,836,841
Other assets	12,371,022	2,064,858	14,435,880	7,493,827	537,240	8,031,067
Total non-current assets	223,006,877	1,372,225	224,379,102	212,188,244	996,276	213,184,520
Total assets	$ 360,046,583	1,349,245	361,395,828	348,658,929	896,250	349,555,179
Liabilities						
Short-term borrowings	$ 21,587,590	-	21,587,590	8,542,102	-	8,542,102
Short term notes and bills payable	8,198,406	-	8,198,406	-	-	-
Financial liabilities at fair value through profit or loss－current	5,866	-	5,866	-	-	-
Accounts payable	3,886,487	-	3,886,487	3,473,839	-	3,473,839
Accounts payable－related parties	9,950,926	-	9,950,926	8,645,429	-	8,645,429
Other payables	576,432	-	576,432	1,781,366	-	1,781,366
Other payables－related parties	694,023	-	694,023	479,267	-	479,267
Current portion of bonds payable	8,993,952	-	8,993,952	5,994,902	-	5,994,902
Current portion of long term debts	1,606,491	-	1,606,491	2,946,069	-	2,946,069
Other current liabilities	7,106,568	-	7,106,568	7,108,384	-	7,108,384
Total current liabilities	62,606,741	-	62,606,741	38,971,358	-	38,971,358
Deferred tax liabilities	3,787,663	1,597,490	5,385,153	3,207,341	1,478,828	4,686,169
Bonds payable	39,917,889	-	39,917,889	27,950,138	-	27,950,138
Long-term debts	18,758,985	-	18,758,985	29,398,863	-	29,398,863
Financial liabilities at fair value through profit or loss－non-current	-	-	-	14,369	-	14,369
Accrued pension liabilities	7,924,760	1,245,312	9,170,072	7,611,834	1,435,761	9,047,595
Other liabilities	430,077	(25,027)	405,050	249,553	(24,180)	225,373
Total non-current liabilities	70,819,374	2,817,775	73,637,149	68,432,098	2,890,409	71,322,507
Total liabilities	133,426,115	2,817,775	136,243,890	107,403,456	2,890,409	110,293,865
Equity attributable to owners of the parent						
Common stock	$ 61,209,046	-	61,209,046	61,209,046	-	61,209,046
Capital surplus	12,829,549	(1,602,032)	11,227,517	12,829,721	(1,602,032)	11,227,689
Retained earnings	109,456,742	2,947,509	112,404,251	119,277,840	2,790,507	122,068,347
Other components of equity	43,125,131	(2,814,007)	40,311,124	47,938,866	(3,182,634)	44,756,232
Total equity	226,620,468	(1,468,530)	225,151,938	241,255,473	(1,994,159)	239,261,314
Total liabilities and equity	$ 360,046,583	1,349,245	361,395,828	348,658,929	896,250	349,555,179

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Reconciliation of items in Comprehensive Income Statement

	For the year ended December 31, 2012		
	ROC GAAP	Adjustments	IFRSs
Operating revenues	$ 196,878,954	-	196,878,954
Operating costs	(181,568,110)	-	(181,568,110)
Gross profit	15,310,844	-	15,310,844
Selling expense	(5,262,915)	-	(5,262,915)
Administrative expenses	(3,793,521)	190,449	(3,603,072)
Research and development expenses	(931,348)	-	(931,348)
Total operating expenses	(9,987,784)	190,449	(9,797,335)
Operating income	5,323,060	190,449	5,513,509
Non-operating income and expenses			
Other income	3,672,673	-	3,672,673
Other gains and losses	1,329,045	-	1,329,045
Finance costs	(1,325,409)	-	(1,325,409)
Shares of profit of associates and joint ventures accounted for using equity method, net	7,809,949	(1,071)	7,808,878
Income before income tax	16,809,318	189,378	16,998,696
Income tax expense	(2,146,798)	(32,376)	(2,179,174)
Net income	14,662,520	157,002	14,819,522
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations	(2,274,521)	-	(2,274,521)
Unrealized losses on available-for- sale financial assets	(2,517,232)	-	(2,517,232)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(35,159)	115,162	80,003
Less: Income tax expense related to components of other comprehensive income	(266,642)	-	(266,642)
Other comprehensive income (loss), net of tax	(4,560,270)	115,612	(4,445,108)
Total comprehensive income	**$ 10,102,250**	**272,164**	**10,374,414**

(c) Description of reconciliation

(i) Under the first time adoption of IFRSs, the carrying amounts of the investments under equity method were changed because the purchase of new shares was not made proportionately to shareholdings in the investee. Adjustments were made for investments under equity method, and the quantitative effects of those adjustments were as follows:

	For the year ended December 31, 2012
Consolidated statement of comprehensive income	
Shares of profit of associates and joint ventures accounted for using equity method, net	$ (1,071)
Adjustments before tax	**$ (1,071)**

(Continued)

		December 31, 2012	January 1, 2012
Consolidated statement of balance sheets			
Investments accounted for using equity method	$	(434,922)	(549,013)
Other components of equity		-	115,162
Adjustments of retained earnings	$	(434,922)	(433,851)

The Consolidated Company invested in Formosa Automobile Corp., an investee accounted for under the equity method. The Consolidated Company's cumulative loss from this investment had already exceeded the book value, as the Consolidated Company intended to continuously support Formosa Automobile Corp., the negative balance of the investment was accounted for under other liabilities. The adjustments under IFRSs were as follows:

		December 31, 2012	January 1, 2012
Consolidated statement of balance sheets			
Investments accounted for using equity method	$	15,925	16,773
Other liabilities	$	15,925	16,773

(ii) Under R.O.C GAAP, if an investee issues new shares and an investor does not purchase new shares proportionately, capital surplus and the long-term equity investment accounts is adjusted for the change in the investor's holding percentage and interest in the investee's net assets. Under the first time adoption of IFRSs, the Company need not adopt the previous ROC GAAP accounting treatment. Under IFRSs, therefore, an adjustment is made to reclassify to retained earnings the capital surplus－long-term equity investments recognized under R.O.C GAAP at the date of transition to IFRSs. This IFRSs adjustment increased the retained earnings and decreased the capital surplus by $1,602,032 as of December 31, 2012.

(iii) In November 2011, the Consolidated Company sold land to associates. Under ROC GAAP, the unrealized gain on disposal of fixed assets from downstream transactions with associates was $40,953, which was recognized and accounted for under "deferred credit" as of December 31 and January 1, 2012. Under IFRSs, this deferred credit was credited to "investments accounted for using equity method".

(iv) Under R.O.C. GAAP, idle assets are classified under other assets. Under IFRSs, these assets are reclassified as property, plant and equipment according to their nature. Under IFRSs, as of December 31, 2012, a reclassification of $182,329 was made from other assets to property, plant and equipment.

(Continued)

(v) Under R.O.C. GAAP, the land usage rights are classified under intangible assets. Under IFRSs, these land use rights are reclassified as other current assets and other assets. Under IFRSs, the quantitative effects of those adjustments were as follows:

	December 31, 2012	January 1, 2012
Consolidated statement of balance sheets		
Other current assets	$ 11,255	13,907
Other assets	$ 450,391	553,886

(vi) Under R.O.C GAAP, prepayments for land and equipment are accounted for under property, plant and equipment. Under IFRSs, such prepayments are reclassified as other assets because they do not qualify for the definition of property, plant and equipment. Under IFRSs, adjustments were made and the quantitative effects of those adjustments were as follows:

	December 31, 2012	January 1, 2012
Consolidated statement of balance sheets		
Property, plant and equipment	$ (1,796,794)	(165,683)
Other assets	$ 1,796,794	165,683

(vii) In determining the carrying value of property, plant and equipment, the Consolidated Company adopted an optional exemption of IFRS 1 to measure the property, plant and equipment through revaluation based on Regulations Governing the Revaluation Assets of Profit-Seeking Enterprise. As a result, under IFRSs, the Consolidated Company reclassified unrealized revaluation increment under equity based on ROC GAAP to retained earnings of $180,379 as of December 31, 2012.

(viii) Under R.O.C GAAP, financial assets are carried at cost if those assets are related to equity shares acquired through a private placement. Under IFRSs, these financial assets are treated as available-for-sale financial assets because the shares have obtainable public price that can be used as reference although they are obtained through a private placement. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the Consolidated Company reclassified financial assets carried at cost－non-current to available-for-sale financial assets －non-current. The quantitative effects of the differences were as follows:

	December 31, 2012	January 1, 2012
Consolidated statement of balance sheets		
Available-for-sale financial assets－non-current	$ -	352,985
Other components of equity	$ -	(253,465)
Financial assets carried at cost－non-current	$ -	(606,450)

(Continued)

(ix) Under IFRSs, the Consolidated Company adopted excemption under IFRS 1 to presume the cumulative translation differences arising from currency translation of foreign operations were $0, and reclassified cumulative translation differences of $2,633,628 recognized based on ROC GAAP to retained earnings.

(x) At the transition date, the Consolidated Company performed the actuarial valuation under IAS 19 "Employee Benefits", and recognized the actuarial gain and loss, using the corridor approach, directly to retained earnings under the requirement of IFRS 1. The quantitative effects of the adjustments under IFRSs were as follows:

	For the year ended December 31, 2012
Consolidated statement of comprehensive income	
Administrative expenses	$ (190,449)
Adjustments before tax	$ (190,449)

	December 31, 2012	January 1, 2012
Consolidated statement of balance sheets		
Accrued pension liabilities	$ 1,245,312	1,435,761
Adjustments of retained earnings	$ (1,191,682)	(1,191,682)

(xi) The IFRSs adjustments discussed above resulted in the following changes to deffered tax assets :

	For the year ended December 31, 2012
Consolidated statement of comprehensive income	
Income tax expense	$ (32,376)

	December 31, 2012	January 1, 2012
Consolidated statement of balance sheets		
Deferred tax assets	$ 211,703	244,079

(Continued)

Under IFRSs, the deferred tax assets and liabilities which resulted from investment tax credits and temporary differences are accounted for under non-current assets and liabilities. In accordance with IAS 12 “Income Taxes”, the deferred tax liabilities and assets are only offset if the entity has a legally enforceable right to offset current tax liabilities and assets. Under ROC GAAP, the deferred tax assets and liabilities arising from investment tax credits and temporary differences are accounted for under current or non-current assets and liabilities. Under IFRSs, as of December 31 and January 1, 2012, due to the differences between ROC GAAP and IFRSs as discussed above, adjustments are made to increase current assets and liabilities by $79,320 and $107,176, respectively, and increase other assets and liabilities by $1,518,169 and $1,371,653, respectively. Also, under IFRSs, reclassifying entries are made to reclassify the deferred tax assets－current of $113,555 and $221,109 to deferred tax assets－non-current as of December 31 and January 1, 2012, respectively, and reclassify the deferred tax liabilities－current of $79,320 and $107,176 to deferred tax liabilities－non-current as of December 31 and January 1, 2012, respectively

(xii) Under IFRSs, the adjustments discussed above resulted in the following changes to retained earnings:

	December 31, 2012	January 1, 2012
1.Investments accounted for using equity method	$ (433,850)	(433,850)
2.Actuarial gains and losses	(1,191,682)	(1,191,682)
3.Capital surplus－long-term equity investments	1,602,032	1,602,032
4.Cumulative translation adjustments	2,633,628	2,633,628
5.Unrealized revaluation increments	180,379	180,379
6.The reconciliation of consolidated statement of comprehensive income	157,002	-
Adjustments of retained earnings	$ 2,947,509	2,790,507

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei, 11049, Taiwan, R.O.C.
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 www.kpmg.com.tw

Independent Auditors' Report

The Board of Directors
Formosa Plastics Corporation:

We have audited the accompanying consolidated statements of financial position of Formosa Plastics Corporation (the "Company") and its subsidiaries (collectively referred to as the "Consolidated Company") as of December 31, 2013 and 2014, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company'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 investee companies under the equity method. The Consolidated Company's investments in the aforementioned investee companies were NT$133,336,206 thousand and NT$142,414,585 thousand, constituting 32.62% and 33.04% of the consolidated total assets as of December 31, 2013 and 2014, respectively, and recognized share of profit of associates and joint ventures accounted for using equity method of these investee companies were NT$16,932,145 thousand and NT$11,116,474 thousand, constituting 73.10% and 54.09% of the consolidated income before income tax for the years ended December 31, 2013 and 2014, respectively. The consolidated financial statements of the aforementioned investee companies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investee companies, is based solely on the reports of other auditors.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Formosa Plastics Corporation and its subsidiaries as of December 31, 2013 and 2014, and the results of their operations and their consolidated cash flows for the years ended December 31, 2013 and 2014, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations and SIC interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

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

KPMG

Taipei, Taiwan (the Republic of China)
March 24, 2015

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with IFRSs as endorsed by the FSC of the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between or any difference in the interpretation of the two versions, the Chinese language shall prevail.

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013 and 2014
(Expressed in thousands of New Taiwan Dollars)

	December 31, 2013	December 31, 2014
Assets		
Current assets：		
Cash and cash equivalents (note 6(1))	$ 7,672,877	5,392,825
Available-for-sale financial assets－current(notes 6(2) and 8)	71,546,858	83,956,324
Notes receivable (note 6(3))	1,059,554	1,026,818
Accounts receivable, net (note 6(3))	8,699,422	7,350,138
Accounts receivable－related parties (notes 6(3) and 7)	4,631,945	4,225,994
Other receivables (note 6(3))	1,591,915	1,052,161
Other receivables－related parties (notes 6(3) and 7)	21,069,672	29,179,344
Inventories (note 6(4))	21,669,071	22,872,390
Other current assets	4,926,183	5,082,721
Total current assets	142,867,497	160,138,715
Non-current assets：		
Available-for-sale financial assets－non-current (note 6(2))	13,993,274	10,729,587
Financial assets carried at cost－non-current	2,416,168	2,437,768
Investments accounted for using equity method (notes 6(5) and 8)	152,358,544	160,602,440
Property, plant and equipment (notes 6(6), 7 and 8)	81,456,398	83,997,627
Intangible assets	638,075	601,282
Deferred tax assets (note 6(12))	1,670,569	1,599,335
Other assets (notes 6(3), 7 and 8)	13,345,840	10,979,936
Total non-current assets	265,878,868	270,947,975
Total assets	$ 408,746,365	431,086,690

	December 31, 2013	December 31, 2014
Liabilities and Equity		
Current liabilities:		
Short-term borrowings (notes 6(8) and 8)	$ 17,521,603	13,767,560
Short-term notes and bills payable (note 6(7))	3,099,844	-
Accounts payable	4,478,098	5,454,975
Accounts payable－related parties (note 7)	12,853,759	7,358,639
Other payables	995,821	1,270,407
Other payables－related parties (note 7)	882,463	937,159
Current portion of bonds payable (notes 6(10))	5,996,474	7,993,512
Current portion of long-term debts (notes 6(9) and 8)	4,995,310	1,515,645
Other current liabilities (note 7)	8,854,481	9,625,843
Total current liabilities	59,677,853	47,923,740
Non-current liabilities：		
Bonds payable (note 6(10))	53,893,227	51,913,453
Long-term debts (notes 6(9) and 8)	16,215,982	26,944,995
Deferred tax liabilities (note 6(12))	7,165,065	9,412,161
Accrued pension liabilities (note 6(11))	8,934,115	8,526,717
Other liabilities	423,770	473,906
Total non-current liabilities	86,632,159	97,271,232
Total liabilities	146,310,012	145,194,972
Equity attributable to owners of the parent (notes 6(12) (13)):		
Common stock	63,657,408	63,657,408
Capital surplus	11,275,671	11,277,988
Retained earnings		
Legal reserve	41,267,621	43,339,205
Special reserve	33,508,131	39,078,218
Unappropriated retained earnings	48,550,893	46,807,749
Total retained earnings	123,326,645	129,225,172
Other components of equity	64,176,629	81,731,150
Total equity	262,436,353	285,891,718
Total liabilities and equity	$ 408,746,365	431,086,690

See accompanying notes to consolidated financial statements.

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

		For the years ended December 31,	
		2013	2014
Operating revenues (notes 6(15) and 7):	$	215,424,768	216,589,040
Operating costs (notes 6(4)(11)(13), and 7)		199,760,375	200,036,215
Gross profit		15,664,393	16,552,825
Operating expenses (notes 6(11)(13), and 7):			
Selling expenses		5,548,405	5,173,862
Administrative expenses		4,643,380	4,946,069
Research and development expenses		892,277	918,041
Total operating expenses		11,084,062	11,037,972
Operating income		4,580,331	5,514,853
Non-operating income and expenses (notes 6(16),and 7) :			
Other income		1,392,257	2,960,516
Other gains and losses (note 6(5))		2,034,874	4,408,900
Finance costs		(1,482,832)	(1,565,536)
Recognized share of profit of associates and joint ventures accounted for using equity method, net (note 6(5))		16,639,868	9,232,820
Total non-operating income and expenses		18,584,167	15,036,700
Income before income tax		23,164,498	20,551,553
Less: income tax expense (note 6(12))		2,448,657	2,558,119
Net income		20,715,841	17,993,434
Other comprehensive income :			
Exchange differences on translation of foreign operations		2,792,876	5,503,175
Unrealized gains on available-for-sale financial assets		18,364,002	9,144,815
Share of other comprehensive income of associates and joint ventures accounted for using equity method		2,934,708	3,551,838
Less: Income tax expense related to components of other comprehensive income (note 6(12))		226,081	645,307
Total other comprehensive income, net of tax		23,865,505	17,554,521
Total comprehensive income	$	44,581,346	35,547,955
Basic earnings per share (note 6(14))			
-before income tax	$	3.64	3.23
-after income tax	$	3.25	2.83

See accompanying notes to consolidated financial statements.

FORMOSA PLASTICS 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								
			Retained Earnings			Others			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange difference on translation of foreign operations	Unrealized gains on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total Equity
Balance as of December 31, 2012	$ 61,209,046	11,227,689	39,801,369	30,717,624	41,885,258	(2,007,879)	42,334,058	(15,055)	225,151,938
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	1,466,252	-	(1,466,252)	-	-	-	-
Special reserve required under Regulatory Permit No.10100125865 issued by FSC	-	-	-	2,790,507	(2,790,507)	-	-	-	-
Cash dividends	-	-	-	-	(7,345,085)	-	-	-	(7,345,085)
Stock dividends	2,448,362	-	-	-	(2,448,362)	-	-	-	-
Changes in capital surplus									
Changes in equity of associates and joint ventures accounted for using equity method	-	48,296	-	-	-	-	-	-	48,296
Other	-	(142)	-	-	-	-	-	-	(142)
Net income for the year	-	-	-	-	20,715,841	-	-	-	20,715,841
Other comprehensive income for the year, net of income tax	-	-	-	-	-	2,566,795	21,281,546	17,164	23,865,505
Total comprehensive income for the year	-	-	-	-	20,715,841	2,566,795	21,281,546	17,164	44,581,346
Balance as of December 31, 2013	63,657,408	11,275,671	41,267,621	33,508,131	48,550,893	558,916	63,615,604	2,109	262,436,353
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	2,071,584	-	(2,071,584)	-	-	-	-
Special reserve	-	-	-	5,570,087	(5,570,087)	-	-	-	-
Cash dividends	-	-	-	-	(12,094,907)	-	-	-	(12,094,907)
Changes in capital surplus									
Changes in equity of associates and joint ventures accounted for using equity method	-	2,546	-	-	-	-	-	-	2,546
Other	-	(229)	-	-	-	-	-	-	(229)
Net income for the year	-	-	-	-	17,993,434	-	-	-	17,993,434
Other comprehensive income for the year, net of income tax	-	-	-	-	-	4,857,868	12,701,858	(5,205)	17,554,521
Total comprehensive income for the year	-	-	-	-	17,993,434	4,857,868	12,701,858	(5,205)	35,547,955
Balance as of December 31, 2014	$ 63,657,408	11,277,988	43,339,205	39,078,218	46,807,749	5,416,784	76,317,462	(3,096)	285,891,718

See accompanying notes to consolidated financial statements.

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014
(Expressed in thousands of New Taiwan Dollars)

		2013	2014
Cash flows from operating activities:			
Income before income tax	$	23,164,498	20,551,553
Adjustments for:			
Incomes and expenses not affecting cash flows:			
Depreciation expense		8,247,224	7,555,974
Amortization expense		645,875	544,066
Provision (reversal or provision) for bad debt expense		1,237	(1,248)
Net gain on financial assets or liabilities at fair value through profit or loss		(5,866)	-
Interest expenses		1,482,832	1,565,536
Interest income		(668,751)	(500,464)
Share of profit of associates and joint ventures accounted for using equity method		(16,639,868)	(9,232,820)
Gain on disposal of property, plant and equipment		(133,559)	(35,459)
Property, plant and equipment transferred to expenses		249	854
Gain on disposal of investments		-	(1,902)
Gain on disposal of investments accounted for using equity method		-	(2,627,625)
Unrealized foreign exchange gain		(132,330)	(784,395)
Unclaimed dividend and overdue compensation of directors transferred to other income		(7,258)	(16,058)
Incomes and expenses not affecting cash flows		(7,210,215)	(3,533,541)
Changes in operating assets and liabilities :			
Changes in operating assets :			
Notes receivable		(215,896)	32,736
Accounts receivable		(1,646,254)	1,579,701
Accounts receivable－related parties		(448,548)	405,951
Other receivables		(368,611)	495,932
Other receivables－related parties		(2,086,840)	(7,440,132)
Inventories		(399,689)	(1,160,199)
Other current assets		(967,995)	155,806
Total changes in operating assets		(6,133,833)	(6,241,817)
Changes in operating liabilities :			
Accounts payable		591,611	976,877
Accounts payable－related parties		2,902,833	(5,495,120)
Other payables		(62,914)	103,961
Other payables－related parties		384,599	17,974
Accrued expense and other current liabilities		1,743,076	847,516
Accrued pension liabilities		(235,957)	(407,398)
Total changes in operating liabilities		5,323,248	(3,956,190)
Total changes in operating assets and liabilities		(810,585)	(10,198,007)
Total adjustments		(8,020,800)	(13,731,548)
Cash generated from operations:		15,143,698	6,820,005
Interest received		677,593	544,287
Dividends received		2,165,949	8,415,528
Interest paid		(1,477,995)	(1,641,691)
Income tax paid		(240,985)	(699,730)
Net cash provided by operating activities		16,268,260	13,438,399
Cash flows from investing activities:			
Acquisition of available-for-sale financial assets		-	(2,400,965)
Proceeds from disposal of available-for-sale financial assets		-	2,401,902
Acquisition of financial assets carried at cost		-	(21,600)
Acquisition of investments accounted for using equity method		(13,017,413)	(1,177,877)
Proceeds from disposal of investments accounted for using equity method		-	3,776,928
Acquisition of property, plant and equipment		(13,148,670)	(8,074,296)
Proceeds from disposal of property, plant and equipment		673,529	50,875
Decrease (increase) in due from related parties (listed under other receivables－related parties)		11,168,093	(122,671)
Acquisition of intangible assets		(92,791)	(930)
Decrease in other assets		196,096	1,594,673
Net cash used in investing activities		(14,221,156)	(3,973,961)
Cash flows from financing activities:			
Decrease in short-term borrowings		(4,067,001)	(3,756,752)
Decrease in short-term notes and bills payable		(5,098,562)	(3,099,844)
Proceeds from bonds issued		19,947,570	5,984,010
Repayment of bonds payable		(9,000,000)	(6,000,000)
Proceeds from long-term debts		8,277,481	24,199,654
Repayments of long-term debts		(7,431,665)	(16,950,306)
(Decrease) increase in due to related parties (listed under other payables－related parties)		(196,159)	36,721
Increase in other liabilities		18,721	50,136
Cash dividends paid		(7,336,651)	(12,093,820)
Net cash used in financing activities		(4,886,266)	(11,630,201)
Effect of foreign currency exchange translation		306,220	(114,289)
Increase in cash and cash equivalents		(2,532,942)	(2,280,052)
Cash and cash equivalents at beginning of year		10,205,819	7,672,877
Cash and cash equivalents at end of year	$	7,672,877	5,392,825

See accompanying notes to consolidated financial statements.

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2014
(All amounts are expressed in thousands of New Taiwan Dollars, except for per share information or unless otherwise specified)

1. Organization and principal activities

Formosa Plastics Corporation (the "Company") was incorporated on October 30, 1954, and established its factories in Kaohsiung City. The Company engages in the manufacture and sale of plastic raw materials, chemical fibers, and petrochemical products. The Company has gone through several capital increases and established many divisions, and become a well-diversified enterprise.

2. Approval date and procedures of the consolidated financial statements

The accompanying consolidated financial statements of the Company and its subsidiaries (the "Consolidated Company") for the years ended December 31, 2013 and 2014 were approved and authorized for issue by the Board of Directors on March 24, 2015.

3. New and revised standards and interpretations

(a) 2013 version of International Financial Reporting Standards ("IFRSs") has been endorsed by the Financial Supervisory Commission of the Republic of China ("FSC") but not yet effective.

On April 3, 2014, according to Rule No.1030010325 issued by the FSC, all listed companies, OTC companies and emerging stock companies are required to adopt the 2013 version of IFRSs endorsed by the FSC (excluding IFRS 9 Financial Instruments) as they issue financial statements commencing from 2015. Related new, revised and amended standards and interpretations are listed below:

New, Revised or Amended Standards and Interpretations	Effective date Prescribed by IASB
Amendments to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First - time Adopters"	July 1, 2010
Amendments to IFRS 7 "Disclosures –Transfer of Financial Assets"	July 1, 2011
Amendments to IFRS 7 "Disclosures - offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS 10 "Consolidated financial statements"	January 1, 2013 (Investment entity took effect on 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

New, Revised or Amended Standards and Interpretations	Effective date Prescribed by IASB
Amendments to IAS 1“Presentation of Items of Other Comprehensive Income”	July 1, 2012
Amendments to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
Amendments to IAS 19 “Employee Benefits”	January 1, 2013
Amendments to IAS 27 “Separate Financial Statements”	January 1, 2013
Amendments to IAS 32 “Offsetting of Financial Assets and Financial Liabilities”	January 1, 2014

Except for the following item, the Consolidated Company believes that the adoption of aforementioned 2013 version of IFRSs endorsed by the FSC will not have any significant effect on the Consolidated Company’s financial statements.

(i) Amendments to IAS 19, “Employee Benefits”

The amendments to IAS 19 require the Consolidated Company to calculate a “net interest” amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when incurred, and instead, require to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, is expensed immediately when incurred and is no longer amortized over the average period before vested on a straight-line basis. In addition, instead of recognizing liability and expense only when the demonstrable benefit commitment is made, the amendments require the Consolidated Company to recognize liability and expense for termination benefit on (1) the date when the Consolidated Company can no longer withdraw the offer of the benefit; or (2) the date when the Consolidated Company recognizes related restructuring expense, whichever date is earlier. Moreover, the amendments also require a broader disclosure for defined benefit plans.

For the first-time adoption of 2013 version of IFRSs, the Consolidated Company's estimated adjustments resulting from the elimination of the corridor approach and recognition of unrecognized actuarial gains or losses are as follows:

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position:

	Balances	Adjustment for the first-time adaption	Balances after adjustment
January 1, 2014：			
Investments accounted for using equity method	$ 152,358,544	(244,253)	152,114,291
Deferred tax assets	1,670,569	66,916	1,737,485
Accrued pension liabilities	8,934,115	393,624	9,327,739
Retained earnings	48,550,893	(570,961)	47,979,932
December 31, 2014：			
Investments accounted for using equity method	160,602,440	(361,019)	160,241,421
Deferred tax assets	1,599,335	77,931	1,677,266
Accrued pension liabilities	8,526,717	458,420	8,985,137
Retained earnings	46,807,749	(741,508)	46,066,241

Statement of comprehensive income:

	Balances	Adjustment for the first-time adaption	Balances after adjustment
For the year ended December 31, 2014：			
Operating expenses	$ 11,037,972	2,139	11,040,111
Share of other comprehensive income of associates and joint ventures accounted for using equity method	9,232,820	(116,766)	9,116,054
Income tax expense	2,558,119	(364)	2,557,755
Other comprehensive income:			
Defined benefit plan	-	62,657	62,657
Income tax expense	645,307	(10,651)	634,656

(Continued)

(b) The IFRSs issued by IASB but not yet endorsed by FSC

New, revised and amended standards and interpretations for IFRSs issued by the IASB but not yet endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective date Prescribed by IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Account"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS16 and IAS 41 "Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Amendments to IFRIC Interpretation 21 "Levies"	January 1, 2014

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

4. Summary of Significant Accounting Policies

The following significant accounting policies are adopted in the accompanying consolidated financial statements. Except for those additional accounting policy disclosures described in note 3, the significant accounting policies have been applied consistently to all the reporting periods presented in these financial statements.

(Continued)

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Guidelines) and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations and SIC interpretations as endorsed by the Financial Supervisory Commission of the Republic of China (hereinafter referred to IFRSs as endorsed by the FSC).

(b) Basis of preparation

Basis of measurement

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

(i) Financial instruments measured at fair value through profit or losses are measured at fair value (including derivative financial instruments).

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

(iii) Defined benefit assets are recognized as plan assets, plus, unrecognized past service cost and unrecognized actuarial loss, less, unrecognized actuarial gain and the present value of the defined benefit obligation.

Functional and presentation currency

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

(c) Basis of Consolidation

(i) Principles of preparing consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries (the Consolidated Company).

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(Continued)

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in ownership equity

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) The percentages of ownership by the Company and its subsidiaries in subsidiaries included in the consolidated report are as follows:

Investor	Name of subsidiaries	Business activity	Percentage of Ownership (%) December 31,2013	Percentage of Ownership (%) December 31,2014	Note
The Company	Formosa Plastics Corp. (Cayman Ltd).	Investment	100%	100%	-
Formosa Plastics Corp. (Cayman Ltd.)	Formosa Industries (Hong Kong) Limited	Investment	100%	100%	-
Formosa Industries (Hong Kong) Limited	Formosa Industries (Ningbo) Co., Ltd.	Plastics	100%	100%	-
Formosa Industries (Hong Kong) Limited	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Acrylic Esters	100%	100%	-
Formosa Industries (Hong Kong) Limited	Formosa Polyethylene (Ningbo) Co., Ltd.	Polyethylene	100%	100%	-
Formosa Industries (Hong Kong) Limited	Formosa Polypropylene (Ningbo) Co., Ltd.	Polypropylene	100%	100%	-
Formosa Industries (Hong Kong) Limited	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	Absorbent polymer	100%	100%	-
Formosa Industries (Hong Kong) Limited	Formosa electronic (Ningbo) Co., Ltd.	Electronics	100%	100%	-

(iii) All of the subsidiaries above included in consolidation.

(d) Foreign currency

(i) Foreign currency transaction

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

(Continued)

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

(ii) Foreign operations

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

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

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

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

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

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

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

(iii) The asset is expected to be realized within twelve months after the balance sheet date; or

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

(Continued)

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

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

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

(iii) The liability is due to be settled within twelve months after the balance sheet date; or

(iv) The Consolidated Company does not have any unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in bank and call deposits with maturities of three months or less from the acquisition date, and with insignificant risk of changes in their fair value and high liquidity.

(g) Financial instruments

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

(i) Financial assets

Financial assets are categorized into financial assets at fair value through profit or loss, loans, receivables, and available-for-sale financial assets.

I. Financial assets at fair value through profit or loss

Financial assets classified under this category are mainly the financial assets held-for-trading, or designated as at fair value through profit or loss on initial recognition.
Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. At initial recognition, financial assets in this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend and interest income, are recognized in profit or loss.

(Continued)

II. Available-for-sale financial assets

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

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

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

III. Loans and receivables

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

Interest income from receivables is recognized in other income.

IV. Impairment of financial asset

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

V. Derecognition of financial assets

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

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

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

(ii) Financial liabilities

I. Classification of debt or equity

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

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

II. Financial liabilities at fair value through profit or loss

Financial liabilities classified under this category are mainly financial liabilities held-for-trading, or designated as at fair value through profit or loss on initial recognition.

Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. At initial recognition, financial liabilities in this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which take into account any interest expense, are recognized in profit or loss.

(Continued)

III. Other financial liabilities

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

IV. Derecognition of financial liabilities

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

V. Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Investment in associates

Associates are those entities in which the Consolidated Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Consolidated Company holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the

(Continued)

investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.
The consolidated financial statements include the Consolidated Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Consolidated Company, from the date when significant influence commences until the date that significant influence ceases.

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

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

(j) Joint-venture

Jointly controlled entity is an entity which is established as a result of a contractual arrangement between the Consolidated Company and other joint venture partners to jointly control over its financial policy and operating policy. Consensus for all decisions must be obtained from the joint venture partners. The Consolidated Company uses equity method to account for the jointly controlled entity.

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

(Continued)

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

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

I. Buildings: 3 to 55 years.

II. Machinery and equipment: 3 to 25 years.

III. Miscellaneous equipment: 3 to 15 years.

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

(l) Intangible assets

(i) Goodwill

I. Initial Recognition

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

II. Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(Continued)

(ii) Other intangible assets

Other intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure:

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

(iv) Amortization:

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date that they are made available for use. The estimated useful lives for the current and comparative periods are as follows:

I. Technical development expense	5~15 years
II. Other intangible assets	6 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life are reviewed at least annually at each fiscal year-end. Any change thereof is treated as a change in an accounting estimate, and is charged to profit or loss.

(m) Impairment – Non-financial assets

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

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such reduction is treated as an impairment loss, which is charged to profit or loss.

(Continued)

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

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

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

(n) Revenue recognition

(i) Sales of goods

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

(ii) Construction contracts

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

(Continued)

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

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

(iii) Rental

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(Continued)

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average vesting period until the benefits become vested. To the extent that the benefits vest immediately, pension cost is recognized immediately in profit or loss.

All actuarial gains and losses on January 1, 2012, the date of transition to IFRSs as endorsed by the FSC, were charged to retained earnings. Also, the Consolidated Company recognizes a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

I. 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and

II. 10% of the fair value of any plan assets at that date.

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

(iii) Short-term employee benefits

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

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

(p) Income taxes

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

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

(Continued)

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

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

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

(iii) the initial recognition of goodwill.

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

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

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

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

I. the same taxable entity; or

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

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

(Continued)

(q) Earnings per share

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

(r) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may incur revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about allocating the resources to the segment and assessing its performance.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainly

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods.

6. Significant Account Disclosures

(1) Cash and Cash Equivalents

		December 31, 2013	December 31, 2014
Cash on hand	$	431	322
Bank deposit		2,140,551	865,540
Time deposits		5,531,895	4,526,963
	$	**7,672,877**	**5,392,825**

Please refer to note 6(18) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Consolidated Company.

(Continued)

(2) Available-for-sale financial assets

	December 31, 2013	December 31, 2014
Listed securities:		
Listed stocks	$ 85,540,132	94,685,911

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

	For the year ended December 31			
	2013		2014	
Security price on reporting date	Other comprehensive income (after tax)	Income (after tax)	Other comprehensive income (after tax)	Income (after tax)
Increase1%	$ 855,401	-	946,859	-
Decrease1%	$ (855,401)	-	(946,859)	-

Please refer to note 8 for available-for-sale financial assets pledged as collateral as of December 31, 2013 and 2014, respectively.

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

	December 31, 2013	December 31, 2014
Notes receivable	$ 1,059,554	1,026,818
Accounts receivable (including related parties)	13,337,592	11,581,109
Other receivables－current (including related parties)	22,661,587	30,231,505
Other receivables－non-current (listed under other assets)	4,398,285	1,840,999
Less : allowance for doubtful receivables	(6,225)	(4,977)
	$ 41,450,793	44,675,454

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

		Past due but not impaired			
	Neither past due nor impaired	Within 30 days	31-60 days	over 61 days	total
December 31, 2013	$ 41,398,003	51,601	990	199	41,450,793
December 31, 2014	44,612,221	63,122	108	3	44,675,454

(Continued)

Movements of the allowance for doubtful receivables were as follows:

	For the years ended December 31	
	2013	2014
Balance, beginning of year	$ 4,988	6,225
Provision of impairment	1,237	-
Reversal of impairment	-	(1,248)
Balance, end of year	$ 6,225	4,977

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

(4) Inventories

	December 31, 2013	December 31, 2014
Finished goods	$ 13,442,372	13,390,307
Work in process	2,294,108	2,727,638
Raw materials	3,362,496	4,078,981
Supplies	666,807	745,675
Machinery and accessories in process	975,836	1,496,028
Others	927,452	433,761
	$ 21,669,071	22,872,390

As the net realizable value of inventories has increased because the circumstance that caused the inventory devaluation in prior period has improved, the Consolidated Company recognized gain from recovery in the value of inventories of $92,119 for the year ended December 31, 2013, which were credited to cost of goods sold. The Consolidated Company recognized a loss from devaluation of inventories of $15,270 for the year ended December 31, 2014, which was debited to cost of goods sold as the carrying value of inventories exceeded the net realizable value thereof.

(Continued)

(5) Investments accounted for using equity method

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

	December 31, 2013	December 31, 2014
Associates		
Formosa Petrochemical Corporation	$ 70,384,767	68,831,259
Formosa Plastics Corp., U.S.A.	33,395,659	40,869,219
Formosa Heavy Industries Corp.	7,043,031	7,820,785
Sky Dragon Investment Limited	3,663,782	2,265,937
Mai Liao Power Corp.	10,882,973	11,427,146
Formosa Sumco Technology Corporation	5,457,621	5,707,045
Formosa Transportation Corp.	608,223	647,016
Formosa Fairway Corp.	85,529	73,576
Yi-Jih Development Corp.	61,882	62,209
Ya Tai Development Corp.	73,799	49,055
Formosa Automobile Corporation	-	-
Wha Ya Park Management Consulting Corporation Ltd.	1,802	2,142
Su-Hua Transportation Corporation	159,867	180,078
Formosa Environmental Technology Corporation	273,956	268,003
Formosa Resources Corporation	3,025,362	4,359,188
Formosa Plastics Development Corporation Ltd.	-	14,559
Formosa Group (Cayman) Limited	361	21,942
Formosa Group Investment (Cayman) Limited	-	384
Formosa Ha Tinh Steel Corporation	15,236,443	-
Formosa Ha Tinh (Cayman) Limited	-	15,761,499
Jointly controlled entities		
Formosa Asahi Spandex Co., Ltd.	1,287,844	1,317,738
Formosa Daikin Advanced Chemical Co., Ltd.	593,891	800,126
Formosa Mitsui Advanced Chemical Co., Ltd.	121,752	123,534
	$ 152,358,544	160,602,440

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2014, the Consolidated Company's share of net income (loss) of associates and jointly controlled entities were as follows:

	For the years ended December 31	
	2013	2014
Associates		
Formosa Petrochemical Corporation	$ 7,818,144	2,647,676
Formosa Plastics Corp., U.S.A.	6,188,985	5,466,650
Formosa Heavy Industries Corp.	905,336	700,327
Sky Dragon Investment Limited	(204,489)	(1,526,675)
Mai Liao Power Corp.	1,528,458	1,629,817
Formosa Sumco Technology Corporation	93,026	317,061
Formosa Transportation Corp.	27,220	29,036
Formosa Fairway Corp.	(3,584)	1,471
Yi-Jih Development Corp.	74	327
Ya Tai Development Corp.	46,478	19,664
Formosa Automobile Corporation	33,805	21,309
Wha Ya Park Management Consulting Corporation Ltd.	3,022	340
Su-Hua Transportation Corporation	35,393	20,211
Formosa Environmental Technology Corporation	(6,528)	(5,997)
Formosa Resources Corporation	(17,285)	(68,873)
Formosa Plastics Development Corporation Ltd.	-	(455)
Formosa Group (Cayman) Limited	(13)	20,651
Formosa Group Investment (Cayman) Limited	-	(12)
Formosa Ha Tinh Steel Corporation	(85,595)	(200,941)
Formosa Ha Tinh (Cayman) Limited	-	(171,509)
Jointly controlled entities		
Formosa Asahi Spandex Co., Ltd.	108,631	131,220
Formosa Daikin Advanced Chemical Co., Ltd.	170,970	206,235
Formosa Mitsui Advanced Chemical Co., Ltd.	(2,180)	(4,713)
	$ 16,639,868	9,232,820

(Continued)

(a) Associates

The market prices and carrying value of investments in publicly traded stocks of associates were as follows:

	December 31, 2013	December 31, 2014
Book value	$ 75,842,388	74,538,304
Fair value	$ 235,703,161	200,360,108

The financial information in respect of the Consolidated Company's associates was as follows (before adjustment to the Consolidated Company's proportionate share):

	December 31, 2013	December 31, 2014
Total assets	$ 948,073,232	1,148,151,626
Total liabilities	$ 351,332,765	502,671,777

	For the years ended December 31	
	2013	2014
Revenue	$ 1,154,692,148	1,144,702,540
Net income for the period	$ 62,040,274	36,952,239

On May 17, 2013 and June 27, 2013, the Consolidated Company acquired 25 percentage equity ownership of Formosa Resources Corporation through cash investment amounting to $3,000,000. The Consolidated Company, had significant influence on this investee company.

On August 23, 2013, the Consolidated Company acquired 25 percentage equity ownership of Formosa Group (Cayman) Limited through cash investment amounting to US$13 thousand (NT$377 thousand). The Consolidated Company, had significant influence on this investee company.

Since the Consolidated Company did not participate in Formosa Ha Tinh Steel Corporation's capital increase in the fourth quarter of 2013, the Consolidated Company decreased the-percentage of its equity ownership in Formosa Ha Tinh Steel Corporation. As a result, the Consolidated Company's equity interest in this investee company increased, thus increasing its capital surplus by $23,650.

(Continued)

On January 17, 2014, the Consolidated Company sold 49,348 thousand common shares of Formosa Petrochemical Corporation for $3,776,928. This resulted in a gain on disposal of this investment of $2,627,625, net of related expenses, which was charged to comprehensive income under other gains and losses.

On April 30, 2014, the Consolidated Company participated in the capital increase by cash of Formosa Resources Corporation by acquiring additional shares of stock of $1,162,500.

On June 5, 2014, the Consolidated Company acquired 25 percentage of ownership of Formosa Group Investment (Cayman) Limited through cash investment amounting to US$13 thousand (NT$377 thousand). The Consolidated Company, had significant influence on this investee company.

On September 12, 2014, the Consolidated Company acquired 33.33 percentage equity ownership of Formosa Plastics Development Corporation Ltd. through cash investment of $15,000. The Consolidated Company, had significant influence on this investee company.

On September 16, 2014, for the purpose of reorganizing investment structure, the Consolidated Company transferred 14.75 percent of its ownership of shares issued by Formosa Ha Tinh Steel Corporation to Formosa Ha Tinh (Cayman) Limited in exchange of 14.75 percent ownership of common shares of stock issued by Formosa Ha Tinh (Cayman) Limited.

(b) Jointly controlled entities

The Consolidated Company owns 50 percent of the equity of Formosa Asahi Spandex Co., Ltd., which is a joint venture company invested in by the Consolidated Company and Asahi Kasei Fibers Corp. As of December 31, 2013 and 2014, the accounts of this investee were as follows:

	December 31, 2013	December 31, 2014
Current assets	$ 1,934,049	2,126,685
Non-current assets	944,255	770,264
	$ 2,878,304	**2,896,949**
Current liabilities	$ 253,581	211,339
Non-current liabilities	49,035	50,135
	$ 302,616	**261,474**

(Continued)

	For the years ended December 31	
	2013	2014
Revenues	$ 2,464,598	2,577,665
Expenses	$ 2,247,336	2,315,226

The Consolidated Company owns 50 percent of the equity of Formosa Daikin Advanced Chemicals Co., Ltd., which is a joint venture company invested in by the Consolidated Company and Formosa Daikin Advanced Chemicals Co., Ltd. As of December 31, 2013 and 2014, the accounts of this investee were as follows:

	December 31, 2013	December 31, 2014
Current assets	$ 497,753	903,738
Non-current assets	994,282	881,207
	$ 1,492,035	1,784,945
Current liabilities	$ 281,276	161,008
Non-current liabilities	22,977	23,685
	$ 304,253	184,693

	For the years ended December 31	
	2013	2014
Revenues	$ 1,248,080	1,447,628
Expenses	$ 906,140	1,035,159

(c) Collaterals

Please refer to Note 8 for investments accounted for using equity method which were pledged to banks as collateral to secure the Company's bank loans as of December 31, 2013 and 2014.

(Continued)

(6) Property, Plant and Equipment

The cost and depreciation of property, plant and equipment of the Consolidated Company for the years ended December 31, 2013 and 2014 were as follows:

	Land	Buildings and constructions	Machinery and equipment	Other facilities	Construction in progress	Total
Cast or deemed Cost:						
Balance as of January 1, 2013	$ 6,974,170	24,907,989	148,024,707	5,430,859	6,940,246	192,277,971
Additions	33,340	530	216,367	153,719	12,744,714	13,148,670
Disposals	(529,251)	(12,898)	(399,756)	(137,872)	-	(1,079,777)
Reclassification	-	472,547	3,613,492	62,578	(4,135,203)	13,414
Effect of exchange rate changes	-	261,435	1,580,562	70,985	292,525	2,205,507
Balance as of December 31 , 2013	**$ 6,478,259**	**25,629,603**	**153,035,372**	**5,580,269**	**15,842,282**	**206,565,785**
Balance as of January 1, 2014	$ 6,478,259	25,629,603	153,035,372	5,580,269	15,842,282	206,565,785
Additions	201,224	-	124,038	199,867	7,549,167	8,074,296
Disposals	(63)	(28,880)	(1,557,709)	(119,984)	-	(1,706,636)
Reclassification	-	130,559	1,661,407	254,947	(1,744,294)	302,619
Effect of exchange rate changes	-	255,855	1,549,552	71,298	624,974	2,501,679
Balance as of December 31 , 2014	**$ 6,679,420**	**25,987,137**	**154,812,660**	**5,986,297**	**22,272,129**	**215,737,743**

	Land	Buildings and constructions	Machinery and equipment	Other facilities	Construction in progress	Total
Accumulated depreciation:						
Balance as of January 1, 2013	$ -	10,295,224	102,453,069	4,015,353	-	116,763,646
Depreciation for the period	-	909,487	7,023,975	313,762	-	8,247,224
Reclassification	-	(795)	-	795	-	-
Disposals	-	(5,627)	(393,383)	(135,797)	-	(539,807)
Effect of exchange rate changes	-	51,956	548,807	37,561	-	638,324
Balance as of December 31 , 2013	**$ -**	**11,250,245**	**109,627,468**	**4,231,674**	**-**	**125,109,387**
Balance as of January 1, 2014	$ -	11,250,245	109,627,468	4,231,674	-	125,109,387
Depreciation for the period	-	894,519	6,376,802	284,653	-	7,555,974
Reclassification	-	-	-	731	-	731
Disposals	-	(28,880)	(1,545,291)	(117,049)	-	(1,691,220)
Effect of exchange rate changes	-	62,401	658,102	44,741	-	765,244
Balance as of December 31 , 2014	**$ -**	**12,178,285**	**115,117,081**	**4,444,750**	**-**	**131,740,116**
Carrying amounts:						
Balance as of December 31 , 2013	**$ 6,478,259**	**14,379,358**	**43,407,904**	**1,348,595**	**15,842,282**	**81,456,398**
Balance as of December 31 , 2014	**$ 6,679,420**	**13,808,852**	**39,695,579**	**1,541,647**	**22,272,129**	**83,997,627**

(Continued)

(a) Collaterals

The property, plant and equipment pledged to secure bank loans as of December 31, 2013 and 2014, are described in note 8.

(b) As of December 31, 2013 and 2014, the Consolidated Company's parcels of land with title temporarily registered under the names of third parties for trust purpose had carrying value of $35,914, which were recorded under property, plant and equipment. The Consolidated Company has implemented a deed of trust with the authorities to secure the Consolidated Company's rights related to the abovementioned properties.

(c) Please refer to note 6 (16) for further information about the capitalized interest on borrowings for the purchase of the property, plant and equipment and gain (loss) on disposal of property, plant and equipment.

(7) Short-term notes and bills payable

	December 31, 2013		
	Institutions	Interest rate	Amount
Short-term notes and bills payable	Grand Bills Finance Corporation	0.620%	$ 600,000
Short-term notes and bills payable	China Bills Finance Corporation	0.600%	500,000
Short-term notes and bills payable	Mega Bills Finance Co., Ltd.	0.610%	2,000,000
			3,100,000
Less: Discount on short-term notes and bills payable			(156)
Total			$ 3,099,844

	December 31, 2014		
	Institutions	Interest rate	Amount
Short-term notes and bills payable	-	-	$ -

(8) Short-term borrowings

Short-term borrowings consisted of the following:

	December 31, 2013	December 31, 2014
Unsecured short-term borrowings	$ 17,431,769	13,460,290
Employees' savings	89,834	307,270
Total	$ 17,521,603	13,767,560
Interest rate	0.880%-2.255%	0.695%-2.635%

(Continued)

(9) Long-term debts

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

	December 31, 2013			
	Currency	Interest rate	Expiration	Amount
Unsecured long-term debts	NTD	1.1750%~1.5600%	2014-2017	$ 16,841,289
Secured long-term debts	NTD	1.5000%~1.5900%	2015-2016	4,370,003
				21,211,292
Less: current portion				(4,995,310)
Total				$ 16,215,982

	December 31, 2014			
	Currency	Interest rate	Expiration	Amount
Unsecured long-term debts	NTD	1.1980%~2.2800%	2015-2017	$ 17,898,069
Secured long-term debts	NTD	1.5660%~1.6610%	2015-2021	10,562,571
				28,460,640
Less: Current portion				(1,515,645)
Total				$ 26,944,995

(b) The assets pledged to secure loans are described in note 8.

(c) Secured bank loans

(i) In order to raise funds to finance the Sixth Naphtha Cracker project and the construction of related factories, the Consolidated Company signed a syndicated loan agreement with Mega International Commercial Bank (formerly Chiao Tung Bank), the lead bank of the syndicated loan, and other banks on April 28, 1995. The details of the loan agreement are as follows:

I. Credit line: $30,769,000 and US$242,000 thousand.
II. Interest rate: as settled with each participating bank.
III. Period: 10 to 15 years.
IV. Collateral: the acquired land, buildings and machinery financed by the loan.
V. The financial covenants under the loan agreement include the requirement to maintain certain financial ratios based on the audited financial reports. If the Company breaches these financial covenants, the syndicated banks may determine to declare the unpaid principal, interest, fees and other sums payable by the Company under the loan agreement to be immediately due and payable. These financial ratios are as follows:

(Continued)

① Current Ratio (total current assets divided by total current liabilities): not lower than 100%, except for the syndicated loan of Sixth Naphtha Cracker project, which is not lower than 120%.

② Leverage Ratio (total liabilities plus contingent liabilities to tangible net worth): not higher than 150%

The Company did not breach the above mentioned financial covenants in respect of its financial statements as of December 31, 2014.

VI. As of December 31, 2014, NT$30,479,000 and US$242,000 thousand of the credit line had been drawn.

(ii) In order to raise funds to build the plant and accessory equipment, the Consolidated Company signed a syndicated loan agreement with Bank of Taiwan, the lead bank of the syndicated loan, and 19 other banks on November 14, 2013. As of December 31, 2014, the details of the loan agreement are as follows:

I. Credit line: $10,300,000.
II. Interest rate: as settled with each participating bank.
III. Period: 7 years (including a 3 years extension).
IV. Collateral: the land at Sixth Naphtha Cracker pledged for 120 percent of the credit line financed by the loan.
V. The financial covenants under the loan agreement include the requirement to maintain certain financial ratios based on the audited consolidated financial reports. If the Company breaches these financial covenants, the syndicated banks may determine to declare the unpaid principal, interest, fees and other sums payable by the Company under the loan agreement to be immediately due and payable. These financial ratios are as follows:

① Current Ratio (total current assets divided by total current liabilities): not lower than 100%.

② Leverage Ratio (total liabilities plus contingent liabilities to tangible net worth): not higher than 150%

The Company did not breach the above mentioned financial covenants in respect of its financial statements as of December 31, 2014.

VI. As of December 31, 2014, NT$10,300,000 of the credit line had been used.

(Continued)

(10) Bonds Payable

	December 31, 2013	December 31, 2014
Domestic unsecured nonconvertible corporate bonds	$ 59,889,701	59,906,965
Less: current portion	(5,996,474)	(7,993,512)
Total	$ 53,893,227	51,913,453
Expiry	2014~2023	2015~2026

	The first domestic unsecured nonconvertible corporate bond in 2009	The first domestic unsecured nonconvertible corporate bond in 2010	The first domestic unsecured nonconvertible corporate bond in 2011	The second domestic unsecured nonconvertible corporate bond in 2011	The first domestic unsecured nonconvertible corporate bond in 2012
Issue amount	$6,000,000	$6,000,000	$6,000,000	$4,000,000	$7,000,000
2013.12.31Ending balance	2,998,739	5,995,470	5,990,607	3,993,678	6,988,044
2013.12.31Current portion	2,998,739	2,997,735	-	-	-
2014.12.31Ending balance	-	2,998,668	5,993,874	3,995,815	6,991,572
2014.12.31Current portion	-	2,998,668	2,996,937	1,997,907	-
Issuance date	May 22, 2009	June 21, 2010	November 16, 2011	December 15, 2011	May 22, 2012
Coupon rate	1.85%	1.55%	1.34%	1.35%	1.26%、1.42%
Interest payment date	May 22	June 21	November 16	December 15	May 22
Repayment method	Payable in 2 equal installments for each different coupon rate in 2013 and 2014, respectively.	Payable in 2 equal installments for each different coupon rate in 2014 and 2015, respectively.	Payable in 2 equal installments for each different coupon rate in 2015 and 2016, respectively.	Payable in 2 equal installments for each different coupon rate in 2015 and 2016, respectively.	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2018~2019, respectively.

(Continued)

	The second domestic unsecured nonconvertible corporate bond in 2012	The third domestic unsecured nonconvertible corporate bond in 2012	The first domestic unsecured nonconvertible corporate bond in 2013	The second domestic unsecured nonconvertible corporate bond in 2013	The first domestic unsecured nonconvertible corporate bond in 2014
Issue amount	$5,000,000	$9,000,000	$11,500,000	$8,500,000	$6,000,000
2013.12.31Ending balance	4,990,590	8,981,191	11,473,920	8,477,462	-
2013.12.31Current portion	-	-	-	-	-
2014.12.31Ending balance	4,993,118	8,986,080	11,479,920	8,482,080	5,985,970
2014.12.31Current portion	-	-	-	-	-
Issuance date	September 12, 2012	November 5, 2012	June 10, 2013	November 8, 2013	May 21, 2014
Coupon rate	1.28% 、1.40%	1.25%、1.39%、1.53%	1.23% 、1.52%	1.42% 、1.94%	1.83% 、1.92%
Interest payment date	September 12	November 5	June 10	November 8	May 21
Repayment method	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2018~2019. , respectively.	Payable in 3 equal installments for each different coupon rate in 2016~2017, 2018~2019 and 2021~2022, respectively.	Payable in 2 equal installments for each different coupon rate in 2016~2017 and 2022~2023, respectively.	Payable in 2 equal installments for each different coupon rate in 2017~2018 and 2022~2023, respectively.	Payable in 2 equal installments for each different coupon rate in 2023~2024 and 2025~2026, respectively.

(11) Employee Benefits

(a) Defined benefit plan

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

	December 31, 2013	December 31, 2014
Present value of defined benefit obligations	$ 9,470,544	9,174,993
Fair value of plan assets	(232,775)	(277,019)
Net liabilities of defined benefit obligations	9,237,769	8,897,974
Unrecognized actuarial losses	(303,654)	(371,257)
Recognized liabilities for defined benefit obligations	$ 8,934,115	8,526,717

(Continued)

The Consolidated Company has established an employee defined benefit retirement plan covering full-time employees. Under this plan, contributions are made to an independent fund that is deposited with Bank of Taiwan. Payments of retirement benefits to employees who are eligible for retirement are based on years of service and the average salary for the last six months before the employee's retirement according to the Labor Standards Law.

(i) Composition of the plan asset

The Labor Pension Fund Supervisory Committee manages the Company's pension fund which is being funded according to the Labor Standards Law. Under the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, this fund is required to distribute minimum income but such minimum income shall not be less than the interest income derived from two-year time deposit with the local banks.

As of December 31, 2014, the Consolidated Company's pension fund with Bank of Taiwan amounted to $269,459. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

(ii) Movements in present value of the defined benefit obligations

		2013	2014
Defined benefit obligations on January 1	$	9,664,265	9,470,544
Benefits paid		(529,777)	(648,337)
Current service and interest costs		272,217	283,317
Actuarial losses		63,839	69,469
Defined benefit obligations on December 31	**$**	**9,470,544**	**9,174,993**

(iii) Movements in fair value of defined benefit plan assets

Movements in fair value of defined benefit plan assets were as follows:

		2013	2014
Fair value of plan assets on January 1	$	263,662	232,775
Benefits paid from plan assets		(88,659)	(23,310)
Expected return on plan assets		4,139	3,693
Contributions from employer		62,917	61,995
Actuarial (losses) gains		(9,284)	1,866
Fair value of plan assets on December 31	**$**	**232,775**	**277,019**

(Continued)

(iv) Expense recognized in profit or loss

The pension costs recognized in profit or loss for the years ended December 31, 2013 and 2014 were as follows:

		2013	2014
Current service costs	$	113,493	104,137
Interest costs		158,724	179,180
Expected return on plan assets		(4,139)	(3,693)
	$	**268,078**	**279,624**
Operating costs	$	160,297	172,542
Selling expenses		5,990	6,599
Administrative expenses		101,791	100,483
	$	**268,078**	**279,624**
Actual return on plan asset	$	**(5,145)**	**5,559**

(v) Actuarial assumptions

The following are the principal actuarial assumptions for the years ended December 31, 2013 and 2014:

	2013	2014
Discount rate	1.90%	2.00%
Expected return on plan assets	1.65%	2.00%
Future salary increases	2.50%	2.50%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories.

(vi) Historical information for experience adjustments:

		January 1, 2012	December 31, 2012	December 31, 2013	December 31, 2014
Present value of the defined benefit obligation	$	9,328,610	9,664,265	9,470,544	9,174,993
Fair value of plan assets		(281,015)	(263,662)	(232,775)	(277,019)
Net liabilities of obligations	**$**	**9,047,595**	**9,400,603**	**9,237,769**	**8,897,974**
Experience adjustments arising on the present value of defined benefit plans	**$**	**-**	**234,555**	**63,839**	**69,469**
Experience adjustments arising on the fair value of the plan assets	**$**	**-**	**(4,024)**	**9,284**	**(1,866)**

(Continued)

(b) Defined contribution plan

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

The Consolidated Company's pension costs under the defined contribution pension plan amounted to $241,441 and $254,979 for the years ended December 31, 2013 and 2014, respectively.

(12) Income Tax

(a) Income tax expense

The details of income tax expense for the years ended December 31, 2013 and 2014 were as follows:

	2013	2014
Current income tax expense	$ 721,968	885,096
Deferred tax expense		
The origination of temporary differences	1,726,689	1,673,023
Income tax expense	**$ 2,448,657**	**2,558,119**

The income tax expense related to components of other comprehensive income for the years ended December 31, 2013 and 2014 was as follows:

	2013	2014
Exchange differences on translation of foreign financial statements	**$ 226,081**	**645,307**

(Continued)

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

		2013	2014
Income tax calculated based on pretax financial income	$	3,937,965	3,493,764
Effect of difference in income tax rate between foreign investee and the Company		627,097	792,091
Temporary differences		(498,956)	(34,986)
Tax- exempt income		(159,898)	(848,897)
Non-deductible expenses		(1,798,296)	(1,755,105)
10% income surtax on undistributed earnings		340,282	654,935
Additional income tax under the Alternative Minimum Tax Act		-	186,187
Others		463	158
Income tax expense	$	2,448,657	2,558,119

(b) Recognized deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

2013		Beginning balance	Recognized in income or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets					
Unrealized gross profit	$	446	490	-	936
Unamortized fixed manufacturing overhead		59,676	(15,407)	-	44,269
Accrued pension liability		1,559,314	(40,113)	-	1,519,201
Depreciation		11,754	(3,371)	-	8,383
Cumulative translation adjustment		127,436	-	(127,436)	-
Others		84,801	12,979	-	97,780
Total	$	1,843,427	(45,422)	(127,436)	1,670,569
Deferred tax liabilities					
Foreign investment income under equity method	$	5,263,699	1,726,111	-	6,989,810
Unrealized foreign currency exchange gain		55	34,720	-	34,775
Cumulative translation adjustment		-	-	98,645	98,645
Depreciation		42,133	(298)	-	41,835
Provision for losses on foreign investment		79,266	(79,266)	-	-
Total	$	5,385,153	1,681,267	98,645	7,165,065

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2014	Beginning balance	Recognized in income or loss	Recognized in other comprehensive income	Ending balance
Deferred tax assets				
Unrealized gross profit	$ 936	(936)	-	-
Unamortized fixed manufacturing expense	44,269	2,347	-	46,616
Accrued pension liability	1,519,201	(69,659)	-	1,449,542
Depreciation	8,383	(8,383)	-	-
Others	97,780	5,397	-	103,177
Total	$ 1,670,569	(71,234)	-	1,599,335
Deferred tax liabilities				
Foreign investment income under equity method	$ 6,989,810	1,472,370	-	8,462,180
Unrealized foreign currency exchange gain	34,775	125,013	-	159,788
Cumulative translation adjustment	98,645	-	645,307	743,952
Depreciation	41,835	(297)	-	41,538
Provision for losses on foreign investment	-	4,703	-	4,703
Total	$ 7,165,065	1,601,789	645,307	9,412,161

(c) The Consolidated Company's income tax returns have been examined and approved through 2012 by the ROC tax authorities.

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

	December 31, 2013	December 31, 2014
Undistributed earnings in 1997 and prior years	$ 432,111	432,111
Undistributed earnings in 1998 and thereafter	48,118,782	46,375,638
	$ 48,550,893	46,807,749
Imputation credit account	$ 2,890,480	3,141,029

	2013(actual)	2014 (estimated)
Tax deduction ratio for earnings distribution to ROC residents	9.80%	8.13%

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

(Continued)

(13) Equity

As of December 31, 2013 and 2014, the Company's government registered total authorized capital and issued capital stock both amounted to $63,657,408, divided into 6,365,741 thousand shares of stock with $10 par value per share. All issued shares were paid up upon issuance.

The analysis of movements of shares outstanding for the years ended December 31, 2013 and 2014 were as follows:

	Ordinary Shares	
	2013	2014
Balance at January 1	$ 6,120,905	6,365,741
Capital increase out of earnings	244,836	-
Balance at December 31	$ 6,365,741	6,365,741

(a) Issuance of common stock

On June 14, 2013, the stockholders adopted a resolution to increase capital to $63,657,408 by capitalizing unappropriated retained earnings of $2,448,362 through issuance of 244,836 thousand new common shares. The process for the registration of this capital increase was completed.

(b) Capital surplus

The components of capital surplus were as follows:

	December 31, 2013	December 31, 2014
Paid-in capital in excess of par value	$ 8,130,081	8,130,081
Overdue unpaid directors' remuneration and dividends	83,528	83,298
Paid in capital in excess of the par value derived from overseas corporate bond conversion	2,997,503	2,997,503
Treasury stock transactions	16,263	16,263
Equity in capital surplus of investee companies	48,296	50,843
	$ 11,275,671	11,227,988

(Continued)

(c) Retained earnings

In accordance with the Company's articles of incorporation, the Company's annual earnings after providing for income tax are appropriated and distributed as follows:

- Cover prior year's accumulated deficit, if any;
- Of the remaining balance, if any, 10% is set aside as legal reserve;
- Of the remaining balance, if any, certain amount is set aside as special reserve and as common stockholders' dividends;
- The remainder, together with accumulated earnings from prior year, is reported to the board of directors for purposes of making a plan for the distribution of cash dividend and/or stock dividend and bonuses for stockholders, directors, and supervisors.

(i) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gains) of $2,790,507, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No. 1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of special reserve amounted to $2,790,507 both as of December 31, 2013 and 2014.

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

(ii) Earnings distribution

The Company appropriates 0.1% to 1% of the distributable earnings after dividends as employees' bonuses, which are recognized as the Company's expenses in the year earnings are incurred. These bonuses and remuneration are charged to expense in the year when those earnings arise. Employees' bonuses amounted to $30,000 and $26,686 in 2013 and 2014, respectively. The difference between the amount of distribution approved in the shareholders' meeting in the following year and the amount accrued in the financial statements, if any, is accounted for as a change in accounting estimate and recognized in profit or loss. Following the approval of a

(Continued)

resolution by stockholders, the related information can be obtained from the Market Observation Post System website of the Taiwan Stock Exchange.

Employees' bonuses amounted to $13,153 and $30,000 in 2012 and 2013, respectively. The aforementioned earnings distributions did not differ from those proposed by the board of directors and those estimated and accrued in the financial statements in 2012 and 2011.

Based on the resolutions approved by the stockholders during their meetings on June 14, 2013, and June 13, 2014, the Company's stockholders approved the dividend distribution out of the Company's earnings in 2012 and 2013 as follows:

	2012		2013	
	Dividends per share	Amount	Dividends per share	Amount
Dividends attributable to ordinary shareholders:				
Cash dividends	$ 1.20	7,345,085	1.90	12,094,907
Stock dividends	0.40	2,488,362	-	-
Total		$ 9,793,447		12,094,907

(d) Other equity

	Exchange differences on translation of foreign operations	Unrealized gains on available-for-sale financial assets	Cash flow hedge
Balance at January 1, 2013	$ (2,007,879)	42,334,058	(15,055)
Exchange differences on translation of foreign operations, net of tax			
-the Consolidated Company	2,545,733	-	-
-associates	21,062	-	-
Unrealized gains on available-for-sale financial assets			
-the Consolidated Company	-	18,364,002	-
-associates	-	2,917,544	17,164
Balance at December 31, 2013	$ 558,916	63,615,604	2,109

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Exchange differences on translation of foreign operations	Unrealized gains on available-for-sale financial assets	Cash flow hedge
Balance at January 1, 2014	$ 558,916	63,615,604	2,109
Exchange differences on translation of foreign operations, net of tax			
-the Consolidated Company	4,177,713	-	-
-associates	680,155	-	-
Unrealized gains on available-for-sale financial assets			
-the Consolidated Company	-	9,144,815	-
-associates	-	3,557,043	(5,205)
Balance at December 31, 2014	**$ 5,416,784**	**76,317,462**	**(3,096)**

(14) Earnings Per Share

The basic earnings per share were calculated as follows:

	For the years ended December 31	
	2013	**2014**
Profit attributable to ordinary shareholders	**$ 20,715,841**	**17,993,434**
Weighted average number of outstanding ordinary shares	**$ 6,365,741**	**6,365,741**
	$ 3.25	**2.83**

(15) Revenue

For the years ended December 31, 2013 and 2014, the components of revenue were as follows:

	For the years ended December 31	
	2013	**2014**
Sale of goods	$ 212,809,296	213,741,354
Construction revenue	751,238	871,523
Others	1,864,234	1,976,163
	$ 215,424,768	**216,589,040**

(Continued)

(16) Non-operating income and expenses

(a) Other income

For the years ended December 31, 2013 and 2014, the components of other income were as follows:

	For the years ended December 31	
	2013	2014
Interest income	$ 668,751	500,464
Rental income	98,656	103,570
Dividends income	624,850	2,356,482
	$ 1,392,257	2,960,516

(b) Other gains and losses

For the years ended December 31, 2013 and 2014, the components of other gains and losses were as follows:

	For the years ended December 31	
	2013	2014
Gain on disposal of property, plant and equipment	$ 133,559	35,459
Gain on disposal of investments	-	2,629,527
Foreign exchange gains, net	1,530,001	1,491,347
Gain on financial liabilities at fair value through profit or loss, net	5,866	-
Other gains	613,172	599,987
Other losses	(247,724)	(347,420)
	$ 2,034,874	4,408,900

(c) Finance costs

For the years ended December 31, 2013 and 2014, the components of finance costs were as follows:

	For the years ended December 31	
	2013	2014
Interest expense	$ 1,516,245	1,704,908
Less: capitalized interest	(33,413)	(139,372)
	$ 1,482,832	1,565,536
Capitalized interest rate	1.37%~1.42%	1.39%~2.28%

(Continued)

(17) Financial Instruments

(a) Categories of financial instruments

(i) Financial assets

		December 31, 2013	December 31, 2014
Available-for-sale financial assets	$	85,540,132	94,685,911
Financial assets measured at cost		2,416,168	2,437,768
Cash and cash equivalents		7,672,877	5,392,825
Notes receivable, accounts receivable and other receivables (including related parties)		41,450,793	44,675,454
Total	$	**137,079,970**	**147,191,958**

(ii) Financial liabilities

		December 31, 2013	December 31, 2014
Short-term borrowings	$	17,521,603	13,767,560
Short-term notes and bills payable		3,099,844	-
Accounts payable and other payables (including related parties)		19,210,141	15,021,180
Long-term debts (including current portion of long-term debts)		21,211,292	28,460,640
Bonds payable (including current portion of bonds payable)		59,889,701	59,906,965
Accrued expense and other current liabilities		8,854,481	9,625,843
Total	$	**129,787,062**	**126,782,188**

(b) Credit Risk

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

(Continued)

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

As of December 31, 2013 and 2014, the Consolidated Company's ten largest customers accounted for 38% and 37% of accounts receivable, respectively. The Consolidated Company did transactions with a large number of unrelated customers so that management believes no concentration of credit risk.

(c) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 6 months	6-12months	1-2years	2-5years	Over 5 years
December 31, 2013							
Non-derivative financial liabilities							
Unsecured bank loans	$ 34,273,058	34,805,833	17,625,205	6,450,569	2,548,773	8,181,286	-
Bonds payable	59,889,701	63,775,305	6,323,382	3,502,772	5,711,920	28,037,236	20,199,995
Secured bank loans	4,370,003	4,503,807	13,581	54,100	2,921,751	1,514,375	-
Accounts payable (including related parties)	17,331,857	17,331,857	17,331,857	-	-	-	-
Other payables (including related parties)	1,878,284	1,885,126	1,409,936	475,190	-	-	-
Accrued expense and other current liabilities	8,854,481	8,854,481	8,854,481	-	-	-	-
Employees' savings	89,834	91,065	91,065	-	-	-	-
	$ 126,687,218	131,247,474	51,649,507	10,482,631	11,182,444	37,732,897	20,199,995
December 31, 2014							
Non-derivative financial liabilities							
Unsecured bank loans	31,358,359	33,075,105	9,704,984	6,098,699	10,267,873	7,003,549	-
Bonds payable	59,906,965	64,291,900	6,043,350	2,027,000	15,024,780	22,099,375	19,097,395
Secured bank loans	10,562,571	11,363,280	146,136	147,271	-	7,294,374	3,775,499
Accounts payable (including related parties)	12,813,614	12,813,614	12,813,614	-	-	-	-
Other payables (including related parties)	2,207,566	2,213,897	1,712,540	501,357	-	-	-
Accrued expense and other current liabilities	9,625,834	9,625,843	9,625,843	-	-	-	-
Employees' savings	307,270	309,375	309,375	-	-	-	-
	$ 126,782,188	133,693,014	40,355,842	8,774,327	25,292,653	36,397,298	22,872,894

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

(Continued)

(d) Currency risk

(i) Exposure to currency risk

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

	December 31, 2013		
	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars
Financial assets:			
Monetary items			
USD	$ 369,299	29.9500	11,060,505
EUR	40	41.2410	1,650
JPY	115,245	0.2846	32,799
Financial liabilities			
Monetary items			
USD	501,793	29.9500	15,028,700
EUR	289	41.2410	11,919
JPY	49,321	0.2846	14,037
SGD	-	-	-
CHF	42	33.6700	1,414
HKD	36	3.8520	139

	December 31, 2014		
	Foreign currency (in thousand)	Exchange Rate	New Taiwan Dollars
Financial assets:			
Monetary items			
USD	$ 592,275	31.7180	18,785,778
EUR	101	38.5310	3,892
JPY	171,056	0.2650	45,330
Financial liabilities			
Monetary items			
USD	611,073	31.7180	19,382,013
EUR	182	38.5310	7,013
JPY	39,047	0.2650	10,347
SGD	19	23.9910	456
CHF	24	32.0410	769

(Continued)

(ii) Sensitivity analysis

The Consolidated Company's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, other receivables, loans and borrowings, accounts payable and other payables which are denominated in different foreign currencies. A 1% depreciation of the NTD against the USD, EUR, JPY, SGD, CHF and HKD as of December 31, 2013 and 2014 would have decreased the net income after tax by $39,613 and $5,656 for the years ended December 31, 2013 and 2014, respectively. This analysis is performed on the same basis assuming that all other variables remain constant and ignoring any impact of forecasted sales and purchases.

(e) Interest rate analysis

The Consolidated Company's exposure to interest rate risk arising from financial assets and liabilities is described in Note 6(18).

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

An increase of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have decreased net income after tax by $986,226 and $1,021,352 for the years ended December 31, 2013 and 2014, respectively.

(f) Fair value

(i) Fair value and carrying amount

The Consolidated Company considers the carrying amounts of notes receivable, accounts receivable (including related parties), other receivables (including related parties) and short-term/long-term loans and borrowings as a reasonable approximation of fair value because the maturity dates of these short-term financial instruments are within one year from the balance sheet date.

(ii) Valuation techniques and assumptions used in fair value determination

The fair value of financial assets and liabilities reported at fair value through profit or loss, and financial assets available for sale is based on quoted market prices. When quoted prices are unavailable, the fair value is determined by certain valuation techniques, using estimation and assumptions under existing market conditions which are obtainable by the Consolidated Company.

(Continued)

(iii) Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels of fair value have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Available-for-sale financial assets				
Listed stocks	$ 85,540,132	-	-	85,540,132
December 31, 2014				
Available-for-sale financial assets				
Listed stocks	$ 94,685,911	-	-	94,685,911

There was no transfer between the fair value measurement levels for the year ended December 31, 2013 and 2014.

(18) Financial Risk Management

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

(a) Framework of risk management

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

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

(Continued)

financing activities, primarily deposits, fixed-income investments and other financial instruments with banks.

(i) Accounts receivable and other receivables

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

(ii) Investments

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

(iii) Guarantee

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

(b) Liquidity risk

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

(c) Market Risk

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

(Continued)

(i) Foreign currency Risk

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

(ii) Interest rate risk

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

(19) Capital Management

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

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

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

	December 31, 2013	December 31, 2014
Total liabilities	$ 146,310,012	145,194,972
Less: cash and cash equivalents	(7,672,877)	(5,392,825)
Net liabilities	**$ 138,637,135**	**139,802,147**
Total equity	**$ 262,436,353**	**285,891,718**
Debt to capital ratio	**52.83%**	**48.90%**

7. Related-party Transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate Controlling Party of the Consolidated Company and its subsidiaries.

(2) Significant related-party transactions

(a) Sales to related parties

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

	Operating revenues for the years ended December 31		Accounts receivable –related parties	
	2013	2014	December 31, 2013	December 31, 2014
Associates	$ 14,798,356	14,668,972	1,803,151	1,120,649
Jointly controlled entities	517,354	571,417	50,083	57,881
Other related parties	27,406,460	31,785,279	2,778,711	3,047,464
	$ 42,722,170	47,025,668	4,631,945	4,225,994

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

(b) Purchase from related parties

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

	Purchases for the years ended December 31		Accounts payable –related parties	
	2013	2014	December 31, 2013	December 31, 2014
Associates	$ 117,361,038	114,626,734	12,102,865	6,939,963
Jointly controlled entities	41,820	32,855	3,276	3,373
Other related parties	6,493,672	5,118,474	747,618	415,303
	$ 123,896,530	119,778,063	12,853,759	7,358,639

(Continued)

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

(c) Property plant and equipment

	Purchase property, plant and equipment for the years ended December 31		Other payables –related parties	
	2013	**2014**	**December 31, 2013**	**December 31, 2014**
Other related parties	$ 60,144	115,633	15,281	24,809

(d) Financing transactions

Financing transactions with related parties were as follows:

	Due from related parties (recognized as other receivables–related parties)	
	December31, 2013	**December 31, 2014**
Associates	$ 5,504,441	6,927,529
Jointly controlled entities	73,685	46,651
Other related parties	12,410,000	11,157,926
	$ 17,988,126	18,132,106

As of December 31, 2013 and 2014, the interest revenue from the abovementioned transactions amounted to $47,504 and $26,977, respectively, which was recognized as other receivables–related parties.

	Due to related parties (recognized as other payables–related parties)	
	December 31, 2013	**December 31, 2014**
Other related parties	$ 622,061	658,783

As of December 31, 2013 and 2014, the interest expense from the abovementioned transactions amounted to $1,628 and $2,618, respectively, which was recognized as accrued expenses.

(Continued)

(e) Endorsements and guarantees

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

		December 31, 2013	December 31, 2014
Associates	$	371,696	13,409,116

(ii) The amounts of commitment letters for related parties that the Consolidated Company had issued to financial institutions were as follows (expressed in thousands):

	December 31, 2013		December 31, 2014	
	USD	CNY	USD	CNY
Associates	$ 328,000	1,360,000	1,086,000	1,834,000

(f) Other transactions

(i) The Consolidated Company's income received from related parties, such as sewage treatment income, wharf usage income and utility and steam income were as follows:

		Other receivables–related parties	
		December 31, 2013	December 31, 2014
Other related parties	$	26,948	130

(ii) The Consolidated Company's expenses paid to related parties, such as sewage treatment expense, wharf usage expense, utility and steam expenses, transportation expense and restoration expense were as follows:

		Other payables–related parties	
		December 31, 2013	December 31, 2014
Other related parties	$	245,121	253,567

(Continued)

(g) Receivables from payment on behalf of related parties

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

	Other receivables–related parties	
	December 31, 2013	December 31, 2014
Other related parties	$ 3,007,094	11,020,131

(ii) As of December 31, 2013 and 2014, the Consolidated Company paid the down payments on behalf of associated investee for the purchase of equipment of $4,398,285 and $1,840,999, respectively, which were accounted for as prepayments (classified under other assets).

(h) Rental (recognized as other income)

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

	For the years ended December 31	
	2013	2014
Associates	$ 42,305	41,616
Jointly controlled entities	7,167	7,167
Other related parties	33,503	37,407
	$ 82,975	86,190

(3) Compensation of key management

The compensation to key management was as follows:

	For the years ended December 31	
	2013	2014
Short-term employee benefits	$ 52,348	49,143

(Continued)

8. Pledged Properties

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

Classification of assets	Nature of Pledged Assets	December 31, 2013	December 31, 2014
Fixed assets	Property plant and equipment	$ 4,035,070	3,112,822
Refundable deposits	Certificate of deposit	33,709	34,625
Available-for-sale financial assets	Stocks of Nan Ya Plastics Corp.	737,230	-
Investments accounted for using equity method	Stocks of Formosa Petrochemical Corp.	7,563,112	7,529,265
		$ 12,369,121	10,676,712

9. Commitments and Contingencies

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

	December 31, 2013	December 31, 2014
Endorsements and guarantees	$ 371,696	13,409,116

(b) The Consolidated Company had outstanding letters of credit for the importation of raw materials of $1,139,194 and $1,850,806 as of December 31, 2013 and 2014, respectively.

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

	December 31, 2013	December 31, 2014
USD	$ 328,000	1,086,000
CNY	$ 1,360,000	1,834,000

10. Significant Disaster Loss: None.

(Continued)

11. Subsequent Events:

(a) In order to finance the capital and equipment requirements of the investments of Formosa Ha Tinh Steel Corporation in San Yung Deep-water harbor and Steel mill Union in Vietnam, Formosa Group (Cayman) Limited has been designated to issue a ten-year overseas bond, of up to US$1.3 billion. All shareholders of the Formosa Group (Cayman) Limited will guarantee, proportionately in accordance with the percentage of shares owned, for the bonds that will be issued. On March 24, 2015, the Board of Directors of the Company approved a resolution to authorize the Company to guarantee 25% of the bond issuance.

(b) In addition to the issuance of this overseas bond, Formosa Group (Cayman) Limited will also enter into loan agreements for purposes of obtaining a loan of US$1.15 billion with several banks in order to finance the capital and equipment requirements of the investments of Formosa Ha Tinh Steel Corporation in San Yung Deep-water harbor and Steel mill Union in Vietnam. All shareholders of Formosa Group (Cayman) Limited will guarantee, proportionately in accordance with the percentage of shares owned, for the loan. On March 24, 2015, the Board of Directors of the Company approved a resolution to authorize the Company to guarantee 25% of this loan payable.

(c) On March 24, 2015, the Board of Directors granted approval authorizing the Company to issue $5 billion worth of domestic unguaranteed bonds in order to obtain long-term capital for new constructions, replacement of obsolete equipment, debt repayment, reinvestments in domestic or foreign entities and to allow better management of the Company's operating capital.

12. Others

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

	For the years ended December 31,							
	2013				2014			
	Operating costs	Operating expenses	Non- operating expenses	Total	Operating costs	Operating expenses	Non- operating expenses	Total
Employee benefits								
Salaries	4,766,373	2,642,041	-	7,408,414	4,521,765	2,842,150	-	7,363,915
Labor and health insurance	323,295	222,016	-	545,311	519,043	49,321	-	568,364
Pension	303,536	205,983	-	509,519	325,548	209,055	-	534,603
Employees' bonuses	17,844	12,156	-	30,000	15,576	11,110	-	26,686
Others	105,001	65,635	-	170,636	103,349	63,567	-	166,916
Depreciation expenses	7,936,044	311,180	-	8,247,224	7,220,270	335,704	-	7,555,974
Amortization expenses	603,357	11,995	30,523	645,875	498,417	9,599	36,050	544,066

(Continued)

13. Other Disclosures

(a) Related information on material transaction items

The significant transactions required by the "Guidelines" for the Consolidated Company were as follows:

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

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limitation on fund financing (Note 2)	Note
													Name	Value			
0	The Company	Formosa Petrochemical Corp.	Due from related parties	Yes	$ 9,500,000	$ 9,500,000	$ 3,500,000	1.624% ~1.642%	2	-	Short-term financing	-	-	-	$ 57,178,344	$ 114,356,687	
0	The Company	Formosa Chemicals & Fibre Corp.	Due from related parties	Yes	6,000,000	6,000,000	-	1.642%	2	-	Short-term financing	-	-	-	57,178,344	114,356,687	
0	The Company	Nan Ya plastic Corp.	Due from related parties	Yes	6,000,000	6,000,000	-	1.642%	2	-	Short-term financing	-	-	-	57,178,344	114,356,687	
0	The Company	Formosa Heavy Industries Corp.	Due from related parties	Yes	8,500,000	8,500,000	2,500,000	0.731% ~1.642%	2	-	Short-term financing	-	-	-	57,178,344	114,356,687	
0	The Company	Formosa Plastic Transportation Corp.	Due from related parties	Yes	150,000	150,000	150,000	1.607% ~1.642%	2	-	Short-term financing	-	-	-	57,178,344	114,356,687	
0	The Company	Nan Ya Technology Corp.	Due from related parties	Yes	10,800,000	8,700,000	8,700,000	1.607% ~1.642%	2	-	Short-term financing	-	-	-	57,178,344	114,356,687	
0	The Company	Asian Pacific Investment Corp.	Due from related parties	Yes	1,610,000	650,000	650,000	1.607% ~1.642%	2	-	Short-term financing	-	-	-	57,178,344	114,356,687	
0	The Company	Mai Liao Power Corp.	Due from related parties	Yes	1,708,226	-	-	1.607%	2	-	Short-term financing	-	-	-	57,178,344	114,356,687	
0	The Company	Formosa Ha Tinh (Cayman) Limited Taiwan Branch	Due from related parties	Yes	236,600	236,600	-	0.745%	2	-	Short-term financing	-	-	-	57,178,344	114,356,687	
0	The Company	Formosa Group Ocean Marine Corp.	Due from related parties	Yes	2,450,126	2,450,126	1,807,926	0.732% ~0.745%	2	-	Short-term financing	-	-	-	57,178,344	114,356,687	

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 2)	Maximum limitation on fund financing (Note 2)	Note
													Name	Value			
1	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	Due from related parties	Yes	$ 1,622,592 (RMB 313,000)	$ 1,622,592 (RMB 313,000)	$ 1,622,444 (RMB 313,000)	3.920%	2	-	Short-term financing	-	-	-	$ 5,744,839	$ 5,744,839	Note 4, 5
1	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Fujian Fuxin Special Steel Co., Ltd	Due from related parties	Yes	3,710,250 (RMB 750,000)	777,600 (RMB 150,000)	777,529 (RMB 150,000)	3.920%	2	-	Short-term financing	-	-	-	5,744,839	5,744,839	Note 4
1	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Formosa Polyethylene (Ningbo) Co., Ltd.	Due from related parties	Yes	632,448 (RMB 122,000)	632,448 (RMB 122,000)	632,390 (RMB 122,000)	3.920%	2	-	Short-term financing	-	-	-	5,744,839	5,744,839	Note 4, 5
2	Formosa electronic (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	Due from related parties	Yes	100,570 (RMB 19,400)	100,570 (RMB 19,400)	100,560 (RMB 19,400)	3.920%	2	-	Short-term financing	-	-	-	122,637	122,637	Note 4, 5
3	Formosa Polypropylene (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	Due from related parties	Yes	1,666,224 (RMB 336,000)	414,720 (RMB 80,000)	414,682 (RMB 80,000)	3.920%	2	-	Short-term financing	-	-	-	2,589,456	2,589,456	Note 4, 5

Note 1: (1) Those with business contact please fill in 1
(2) Those necessary for short-term financing please fill in 2.

Note 2: (1) The maximum financing allowed should not exceed 50% of the Company's net equity, and the maximum short-term financing to companies with no transaction with the Company could not exceed 40% of the Company's net equity as of December 31, 2014.
(2) The Company grants financing to a related party even if the Company has no normal business transactions with the entity. However, such financing is limited to 25% of the related party's equity based on the current independent auditor's report.
(3) The Company grants financing to an entity even if the Company has no normal business transactions with the entity. However, such financing is limited to 20% of the Company's equity based on the current independent auditor's report.

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

Note 4: The exchange rate of New Taiwan dollars to RMB dollars was 5.184 to 1 for the highest balance of financing to other parties during the period and for the ending balance; and the exchange rate of New Taiwan dollars to RMB dollars was 5.183527 to 1 for the actual usage during the period.

Note 5: The transaction has already been written off in the consolidated financial statements.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Guarantees and endorsements for other parties:

No.	Endorsement guarantee provider	Counter-party		Limitation amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements as of December 31, 2014	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amounts for guarantees and endorsements	Parent Company endorses/ guarantees to third parties on behalf of subsidiary	Subsidiary endorses/ guarantees to third parties on behalf of Parent Company	Endorsements/ guarantees to the third parties on behalf of the Companies in Mainland China
		Name	Relationship with The Company (Note)										
0	The Company	Formosa Sumco Technology Corp.	6	$ 185,829,617	$ 371,696	$ 206,498	$ 206,498	-	0.07%	$ 371,659,233	N	N	N
0	The Company	Formosa Group (Cayman) Limited	6	185,829,617	13,202,618	29,140,913	13,202,618	-	10.19%	371,659,233	N	N	N

Note 1: The guarantees and endorsements of the Company and its subsidiaries were listed in the form of numbers with the rules below:
(1) The Company is represented by 0.
(2) The subsidiaries are represented numerically starting from 1.

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

(1) The Company has business relationship.
(2) The Company holds directly more than 50% of the common shares of stock of the subsidiaries.
(3) In aggregate, the Company and its subsidiaries hold more than 50% of the investee.
(4) In aggregate, the Company holds directly or its subsidiaries hold indirectly more than 50% of the investee.
(5) The Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
(6) The stockholders of the Company provide guarantees or endorsements for the investee in proportion to their stockholding percentage.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iii) The securities held at balance sheet date (excluding subsidiaries, associates and joint ventures):

Security holder	Category and name of security	Relationship between issuer of security and the company which holds securities	Account name	2014.12.31 Shares / Units (in thousands)	Carrying value	Percentage of ownership	Market value or net asset value	The maximum holding percentage for the period	Note
The Company	Asian Pacific Investment Corp.	Other related parties	Financial assets carried at cost	68,743	$ 777,804	16.17 %	$ 2,730,078	16.17%	Note 2
The Company	Mai-Liao Harbor Administration Corp.	Other related parties	Financial assets carried at cost	39,574	539,486	17.99 %	907,559	17.99%	Note 3
The Company	Taiwan Aerospace Corp.	-	Financial assets carried at cost	1,103	11,026	0.81 %	13,469	0.81%	Note 2
The Company	Chinese Television System Inc.	-	Financial assets carried at cost	1,769	28,609	1.05 %	57,098	1.05%	Note 2
The Company	China Investment & Development Co., Ltd.	-	Financial assets carried at cost	1,287	8,250	0.80 %	13,609	0.80%	Note 2
The Company	Formosa Plastics Development Corp.	Other related parties	Financial assets carried at cost	13,639	90,010	18.00 %	223,489	18.00%	Note 3
The Company	Xiangho Aircraft Leasing Corp.	-	Financial assets carried at cost	2,071	-	9.55 %	-	9.55%	
The Company	Formosa Petrochemical Transportation Corporation, Ltd.	Other related parties	Financial assets carried at cost	2,642	24,013	12.00 %	37,188	12.00%	Note 3
The Company	Formosa Network Technology Corp.	Other related parties	Financial assets carried at cost	1,800	13,331	12.50 %	42,763	12.50%	Note 2
The Company	Formosa Plastics Marine Corp.	Other related parties	Financial assets carried at cost	2,429	15,000	15.00 %	107,017	15.00%	Note 3
The Company	Formosa Group Ocean Investment Corp.	Other related parties	Financial assets carried at cost	3	856,948	19.00 %	9,121,554	19.00%	Note 2
The Company	Formosa Plastics Maritime Corp.	Other related parties	Financial assets carried at cost	354	1,691	18.11 %	53,339	18.11%	Note 3
The Company	Am Trust Capital I Corp.	-	Financial assets carried at cost	5,000	50,000	3.91 %	50,660	3.91%	Note 2
The Company	Central Leasing International Corp.	-	Financial assets carried at cost	2,373	-	1.43 %	-	1.43%	
The Company	Inteplast Taiwan Corporation	Other related parties	Financial assets carried at cost	2,160	21,600	18.00 %	21,930	18.00%	Note 3
The Company	Nan Ya Plastics Corporation	Other related parties	Available-for-sale financial asset－current	783,357	51,309,875	9.88 %	51,309,875	9.88%	
The Company	Formosa Chemicals & Fibre Corporation	Other related parties	Available-for-sale financial asset－current	198,744	13,295,969	3.39 %	13,295,969	3.39%	
The Company	Nan Ya Technology Corp.	Other related parties	Available-for-sale financial asset－current	238,895	19,350,480	9.96 %	19,350,480	9.96%	
The Company	Nan Ya Technology Corp.	Other related parties	Available-for-sale financial asset－non-current	132,464	10,729,587	5.52 %	10,729,587	14.57%	

Note 1: The detailed information on the pledged available-for-sale financial assets was disclosed further in note 8.

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

Note 3: The net asset value of equity was calculated based on audited financial statements.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iv) The accumulated purchase or sale of securities for the period exceeding $300 million or 20% of the paid-in capital:

Company Name	Type and Issuer of Marketable Securities	Account Name	Counterparty	Nature of the Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares (in thousands)	Amount	Number of Shares (in thousands)	Amount	Number of Shares (in thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Number of Shares (in thousands)	Amount
The Company	Stock-Formosa Petrochemical Corp.	Investments accounted for using equity method	Formosa Petrochemical Corp.	Associates	2,791,897	$ 70,384,767	-	$ -	49,348	$ 3,776,928 (Note 1)	1,149,303	$ 2,627,625	2,742,549	$ 68,831,259 (Note 2)
The Company	Stock-Formosa Resources Corporation	Investments accounted for using equity method	Formosa Resources Corporation	Associates	300,000	3,025,362	116,250	1,162,500	-	-	-	-	416,250	4,359,188 (Note 3)
The Company	Securities-Formosa Ha Tinh Steel Corporation	Investments accounted for using equity method	Formosa Ha Tinh Steel Corporation	Associates	-	15,236,443	-	-	-	-	15,035,502	-	-	- (Note 4)
The Company	Securities-Formosa Ha Tinh (Cayman) Limited	Investments accounted for using equity method	Formosa Ha Tinh (Cayman) Limited	Associates	-	-	508,237	15,035,502 (Note 5)	-	-	-	-	508,237	15,761,499 (Note 6)

Note 1: The Consolidated Company sold 49,348 thousand common shares of Formosa Petrochemical Corporation for $3,776,928 after deducting related expenses of $23,038.

Note 2: The ending balance includes the net income of investment of $2,647,676, cumulative translation adjustment of $345,228, unrealized gain on financial instruments of $3,456,717, and others of $(6,853,826).

Note 3: The ending balance includes the net loss of investment of $68,873, cumulative translation adjustment of $240,204, and unrealized loss on financial instruments of $5.

Note 4: The ending balance includes the net loss of investment of $200,941.

Note 5: On September 16, 2014, for the purpose of reorganizing investment structure, the Consolidated Company transferred 14.75 percent of its ownership of shares issued by Formosa Ha Tinh Steel Corporation to Formosa Ha Tinh (Cayman) Limited in exchange of 14.75 percent ownership of common shares of stock issued by Formosa Ha Tinh (Cayman) Limited.

Note 6: The ending balance includes the net loss of investment of $171,509, and cumulative translation adjustment of $897,506.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(v) Information on the acquisition of real estate which exceeds $300 million or 20% of the paid-in capital for the year ended December 31, 2014: None.

(vi) Information on the disposal of real estate which exceeds $300 million or 20% of the paid-in capital for the year ended December 31, 2014: None.

(vii) Information regarding related-party purchase and sale transactions which exceed $100 million or 20% of the paid-in capital:

Company name	Related party	Relationship	Transaction details				Abnormal transaction		Note/Account (payable) receivable		Note
			Purchase (Sale)	Amount	% to total purchase /sale	Payment terms	Unit price	Payment terms	Ending balance	% to total	
The Company	Nan Ya Plastics Corporation	Other related parties	(Sales)	$ (15,714,933)	(8.51) %	Before the 27th of the following month	-		$ 1,057,837	9.11%	
The Company	Formosa Chemicals & Fibre Corporation	〃	〃	(7,477,312)	(4.05) %	Before the 27th of the following month	-		571,112	4.92%	
The Company	Formosa Petrochemical Corporation	Associates	〃	(10,965,213)	(5.94) %	Before the 27th of the following month	-		440,507	3.79%	
The Company	Formosa Heavy Industries Corp.	〃	〃	(246,223)	(0.13) %	Before the 27th of the following month	-		5,391	0.05%	
The Company	Formosa Daikin Advanced Chemical Co., Ltd.	Jointly controlled entities	〃	(558,354)	(0.30) %	Before the 27th of the following month	-		57,127	0.49%	
The Company	Mai Liao Power Corp.	Associates	〃	(796,425)	(0.43) %	Before the 27th of the following month	-		52,524	0.45%	
The Company	Formosa Taffeta Co. Ltd.	Other related parties	〃	(393,679)	(0.21) %	Before the 27th of the following month	-		31,450	0.27%	
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	〃	〃	(149,922)	(0.08) %	O/A 60 days	-		26,949	0.23%	
The Company	Nan Ya Plastics (Nantong) Co., Ltd.	〃	〃	(156,783)	(0.08) %	O/A 60 days	-		26,904	0.23%	
The Company	Nan Ya Plastics Film (Nantong) Co., Ltd.	〃	〃	(114,246)	(0.06) %	O/A 60 days	-		33,331	0.29%	
The Company	Nan Ya Rigid Film (Guangzhou) Co., Ltd.	〃	〃	(225,882)	(0.12) %	O/A 60 days	-		27,171	0.23%	
The Company	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Other related parties	〃	(226,583)	(0.12) %	O/A 60 days	-		68,424	0.59%	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent-subsidiary	〃	$ (4,925,430)	(2.67) %	O/A 90 days	-		1,195,451	10.30%	Note 1
The Company	Formosa Acrylic Esters (Ningbo) Co., Ltd.	〃	〃	(1,609,726)	(0.87) %	O/A 90 days	-		299,736	2.58%	Note 1

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Company name	Related party	Relationship	Transaction details				Abnormal transaction		Note/Account (payable) receivable		Note
			Purchase (Sale)	Amount	% to total purchase /sale	Payment terms	Unit price	Payment terms	Ending balance	% to total	
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Other related parties	(Sales)	$ (5,752,524)	(3.12) %	O/A 60 days	-		$ 940,572	8.10%	
The Company	Formosa Plastics Corp., U.S.A.	Associates	〃	(2,468,292)	(1.34) %	O/A 90 days	-		619,202	5.33%	
Formosa Acrylic Esters (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	Subsidiaries	〃	(823,206)	(8.79) %	Before the 90th of the following month	-		62,219	3.48%	Note 1
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd.	Other related parties	〃	(210,010)	(2.50) %	Before the 30th of the following month	-		22,107	3.87%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Nantong) Co., Ltd.	〃	〃	(347,046)	(4.13) %	Before the 30th of the following month	-		47,731	8.35%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Xiamen) Co., Ltd.	〃	〃	(158,398)	(1.89) %	Before the 30th of the following month	-		62,771	10.98%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics (Guangzhou) Co., Ltd.	〃	〃	(134,080)	(1.60) %	Before the 30th of the following month	-		17,264	3.02%	
Formosa Polypropylene (Ningbo) Co., Ltd	Nan Ya Plastics Film (Nantong) Co., Ltd.	〃	〃	(172,996)	(0.87) %	Before the 30th of the following month	-		17,526	91.05%	
Formosa electronic (Ningbo) Co., Ltd.	Fujian Fuxin Special Steel Co., Ltd	Associates	〃	(162,327)	(74.00) %	Before the 90th of the following month	-		-	-%	
The Company	Nan Ya Plastics Corporation	Other related parties	Purchase	1,186,992	0.78%	Before the 27th of the following month	-		(79,311)	(0.70)%	
The Company	Formosa Chemicals & Fibre Corporation	〃	〃	3,081,455	2.03%	Before the 27th of the following month	-		(252,818)	(2.23)%	
The Company	Formosa Petrochemical Corporation	Associates	〃	114,095,589	75.28%	Before the 27th of the following month	-		(6,939,963)	(61.23)%	
The Company	Formosa Heavy Industries Corp.	〃	〃	531,145	0.35%	Before the 27th of the following month	-		-	-%	
Formosa Industries (Ningbo) Co., Ltd.	Nan Ya Plastics Corporation	Other related parties	〃	473,491	4.97%	O/A 90 days	-		(7,465)	(0.44)%	
Formosa Acrylic Esters (Ningbo) Co., Ltd.	The Company	Parent-subsidiary	〃	5,347,588	58.74%	O/A 90 days	-		(1,094,093)	(72.37)%	Note、Note 1
Formosa Acrylic Esters (Ningbo) Co., Ltd.	Nan Ya Plastics Corporation	Other related parties	〃	336,122	3.69%	O/A 90 days	-		(75,016)	(4.96)%	
Formosa Polypropylene (Ningbo) Co., Ltd.	The Company	Parent-subsidiary	〃	15,000,595	77.74%	O/A 90 days	-		(3,258,328)	(91.07)%	Note、Note 1

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

Note 1: The transaction has already been written off in the consolidated financial statements.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(viii) Information regarding receivables from related parties which exceed $100 million or 20% of the paid-in capital:

Company name	Related party	Relationship	Ending balance	Turnover day	Overdue		Amounts received in subsequent periods	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Nan Ya Plastics Corporation	Other related parties	$ 1,057,837	13.91%	-	-	$ 1,057,837	-	
The Company	Formosa Chemicals & Fibre Corporation	〃	571,112	11.90%	-	-	571,112	-	
The Company	Formosa Petrochemical Corporation	Associates	440,507	13.41%	-	-	440,507	-	
The Company	Formosa Industries (Ningbo) Co., Ltd.	Parent-subsidiary	1,195,451	4.65%	-	-	981,355	-	Note
The Company	Formosa Acrylic Esters (Ningbo) Co., Ltd.	〃	299,736	3.78%	-	-	213,622	-	Note
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Other related parties	940,572	8.10%	-	-	940,572	-	
The Company	Formosa Plastics Corp., U.S.A.	Associates	619,202	4.36%	-	-	421,345	-	
The Company	Formosa Petrochemical Corporation	Associates	3,500,000	-%	-	-	3,500,000	-	
The Company	Formosa Heavy Industries Corp.	〃	2,500,000	-%	-	-	-	-	
The Company	Nan Ya Technology Corp.	Other related parties	8,700,000	-%	-	-	700,000	-	
The Company	Asian Pacific Investment Corp.	〃	650,000	-%	-	-	-	-	
The Company	Formosa Plastic Transportation Corp.	Associates	150,000	-%	-	-	-	-	
The Company	Formosa Group Ocean Marine Corp.	Other related parties	1,807,926	-%	-	-	-	-	
The Company	Formosa Polypropylene (Ningbo) Co., Ltd.	Parent-subsidiary	3,258,328	-%	-	-	2,317,867	-	Note
The Company	Formosa Acrylic Esters (Ningbo) Co., Ltd.	〃	794,357	-%	-	-	576,611	-	Note
The Company	Formosa Ha Tinh Steel Corporation	Associates	12,651,205	-%	-	-	518,931	-	
The Company	Fujian Fuxin Special Steel Co., Ltd	〃	209,925	-%	-	-	143,261	-	
Formosa Acrylic Esters (Ningbo) Co., Ltd.	Fujian Fuxin Special Steel Co., Ltd	Associates	777,529	-%	-	-	777,529	-	
Formosa Acrylic Esters (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	Subsidiaries	1,622,444	-%	-	-	-	-	Note
Formosa Acrylic Esters (Ningbo) Co., Ltd.	Formosa Polyethylene (Ningbo) Co., Ltd.	〃	632,390	-%	-	-	-	-	Note
Formosa Polypropylene (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	Subsidiaries	414,682	-%	-	-	-	-	Note
Formosa electronic (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	〃	100,560	-%	-	-	-	-	Note

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

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ix) For information regarding trading in derivative financial instruments: None.

(x) Intercompany relationships and significant intercompany transactions

No.	Company name	Counter party	Relationship	Intercompany transactions			
				Financial Statement Item	Amount	Terms	Percentage of consolidated total gross sales or total assets
0	The Company	Formosa Industries (Ningbo) Co., Ltd.	1	Sales	$ 4,925,430	O/A 90 days	2.27%
0	The Company	Formosa Industries (Ningbo) Co., Ltd.	1	Accounts receivable	1,195,451	〃	0.28%
0	The Company	Formosa Acrylic Esters (Ningbo) Co., Ltd.	1	Sales	1,609,726	〃	0.74%
0	The Company	Formosa Acrylic Esters (Ningbo) Co., Ltd.	1	Accounts receivable	299,736	〃	0.07%
0	The Company	Formosa Acrylic Esters (Ningbo) Co., Ltd.	1	Other receivables－related parties	794,357	〃	0.18%
0	The Company	Formosa Polypropylene (Ningbo) Co., Ltd.	1	Other receivables－related parties	3,258,328	〃	0.76%
1	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	3	Sales	823,206	Before the 90th of the following month	0.38%
1	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	3	Accounts receivable	62,219	〃	0.01%
1	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	3	Due from related parties	1,622,444	-	0.38%
1	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Formosa Polyethylene (Ningbo) Co., Ltd.	3	Due from related parties	632,390	-	0.15%
2	Formosa Polypropylene (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	3	Due from related parties	414,682	-	0.10%
3	Formosa electronic (Ningbo) Co., Ltd.	Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	3	Due from related parties	100,560	-	0.02%

Note 1: Assigned numbers represent the following:
1. 0 represents the parent company.
2. The subsidiaries are represented numerically starting from 1.

Note 2: The terms of transactions are defined as follows:
1. Represents the parent company having transaction with a subsidiary.
2. Represents a subsidiary having transaction with the parent company.
3. Represents a subsidiary having transaction with a subsidiary.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Information on investment (excluding those in Mainland China, the amounts expressed USD are in thousands):

Investor company	Investee company	Location	Major operations	Original investment Amount		Balance as of Dec 31, 2014			Maximum number of shares held during the period	Net income of investee	Investment income (loss) recognized by the investor company	Notes
				December 31, 2014	December 31, 2013	Shares	%	Carrying value				
The Company	Formosa Petrochemical Corporation	Taiwan	Petrochemicals	$ 30,388,721	$ 30,935,520	2,742,549	28.79%	$ 68,831,259	29.31%	$ 9,065,576	$ 2,647,676	Note, Note 1
The Company	Formosa Plastics Corp., U.S.A.	U.S.A	Chemicals	5,614,024	5,614,024	70	22.59%	40,869,219	22.59%	23,657,781	5,466,650	Note, Note 1
The Company	Formosa Heavy Industries Corp.	Taiwan	Mechanical equipment	2,498,463	2,498,463	589,356	32.92%	7,820,785	32.92%	2,102,363	700,327	Note, Note 1
The Company	Sky Dragon Investment Limited	Samoa	Investment	3,851,882	3,851,882	125,000	50.00%	2,265,937	50.00%	(3,036,860)	(1,526,675)	Note, Note 1
The Company	Formosa Plastics Corp. (Cayman Ltd.)	Cayman	Investment	19,004,308	19,004,308	75	100.00%	31,317,568	100.00%	(1,095,845)	(1,095,590)	Note, Note 3
The Company	Mai Liao Power Corp.	Taiwan	Electricity	5,985,531	5,985,531	498,842	24.94%	11,427,146	24.94%	6,534,496	1,629,817	Note, Note 1
The Company	Formosa Sumco Technology Corp.	Taiwan	Electronics manufacture	2,837,042	2,837,042	225,415	29.06%	5,707,045	29.06%	1,091,068	317,061	Note 1
The Company	Formosa Transportation Corp.	Taiwan	Transportation	60,664	60,664	3,993	33.33%	647,016	33.33%	87,118	29,036	Note, Note 1
The Company	Formosa Fairway Corp.	Taiwan	Transportation	33,330	33,330	4,252	33.33%	73,576	33.33%	4,415	1,471	Note 1
The Company	Yi-Jih Development Corp.	Taiwan	Construction	57,000	57,000	5,700	28.72%	62,209	28.72%	1,138	327	Note 1
The Company	Ya Tai Development Corp.	Taiwan	Development of land	54,034	54,034	1,306	45.04%	49,055	45.04%	43,664	19,664	Note 1
The Company	Formosa Asahi Spandex Co., Ltd.	Taiwan	Artificial fiber	501,752	501,752	50	50.00%	1,317,738	50.00%	262,439	131,220	Note 1
The Company	Formosa Automobile Corporation	Taiwan	Automobile	944,972	944,972	27,044	45.00%	-	45.00%	47,353	21,309	Note 1
The Company	Wha Ya Park Management Consulting Corporation Ltd.	Taiwan	Consulting service	341	341	33	33.00%	2,142	33.00%	1,030	340	Note 1
The Company	Formosa Daikin Advanced Chemical Co., Ltd.	Taiwan	Chemical industry	100,000	100,000	24	50.00%	800,126	50.00%	412,469	206,235	Note 1
The Company	Su-Hua Transportation Corporation	Taiwan	Transportation	50,000	50,000	7,659	25.00%	180,078	25.00%	80,841	20,211	Note 1
The Company	Formosa Resources Corporation	Taiwan	Mining industry	4,162,500	3,000,000	416,250	25.00%	4,359,188	25.00%	(275,491)	(68,873)	Note, Note 1
The Company	Formosa Environmental Technology Corporation	Taiwan	Environmental industry	417,145	417,145	41,714	24.34%	268,003	24.34%	(24,638)	(5,997)	Note, Note 1

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investor company	Investee company	Location	Major operations	Original investment Amount		Balance as of Dec 31, 2014			Maximum number of shares held during the period	Net income of investee	Investment income (loss) recognized by the investor company	Notes
				December 31, 2014	December 31, 2013	Shares	%	Carrying value				
The Company	Formosa Plastics Development Corporation Ltd.	Taiwan	Construction	$ 15,000	$ -	1,500	33.33%	$ 14,559	33.33%	$ (1,366)	$ (455)	Note 1
The Company	Formosa Ha Tinh Steel Corporation	Vietnam	Steel	-	15,369,735	-	- %	-	15.53%	(1,350,588)	(200,941)	Note, Note 1
The Company	Formosa Ha Tinh (Cayman) Limited	Cayman	Investment	15,369,735	-	508,237	14.75%	15,761,499	14.75%	(1,158,217)	(171,509)	Note, Note 1
The Company	Formosa Group (Cayman) Limited	Cayman	Investment	377	377	13	25.00%	21,942	25.00%	82,603	20,651	Note, Note 1
The Company	Formosa Group Investment (Cayman) Limited	Cayman	Investment	377	-	13	25.00%	384	25.00%	(47)	(12)	Note, Note 1
Formosa Plastics Corp. (Cayman Ltd.)	Formosa Industries (Hong Kong) Limited	Hong Kong	Reinvestment	7,450,622 (USD234,902)	7,035,315 (USD234,902)	-	100.00%	31,190,158 (USD983,358)	100.00%	(1,090,966) (USD-35,908)	(1,090,710) (USD-35.900)	Note 2, Note 3

Note ： Including cumulative translation adjustments.

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

Note 2： The exchange rate of New Taiwan dollars to US dollars on December 31, 2014, was 31.718 to 1. The average exchange rate of New Taiwan dollars to US dollars for the year ended December 31, 2014, was 30.3821 to 1.

Note 3：The transaction has already been written off in the consolidated financial statements.

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(c) Information regarding investments in Mainland China:

(i) Information on indirect investment in companies in Mainland China (amounts expressed in USD are in thousands):

Name of the PRC investee company	Primary business scope	Amount of paid-in capital	Method of investment	Investment transferred from Taiwan, beginning of period	Year ended December 31, 2014		Investment transferred from Taiwan, end of period	Equity in the earnings (losses)	Direct and indirect shareholding percentage by the company	The maximum holding percentage for the period	Recognized gain or loss from investment for the current period	Carrying value of investment, end of period	Remitted gain on investment, end of period
					Remittance	Remittance							
Formosa Industries (Ningbo) Co., Ltd.	Plastics	$ 5,740,234 (USD177,350)	Indirect investment	$ 4,206,583 (USD126,000)	-	-	$ 4,206,583 (USD126,000)	$ (528,470) (USD-17,394)	100.00%	100.00%	$ (528,470) (USD-17,394)	$ 7,301,865 (USD230,212)	-
Formosa Acrylic Esters (Ningbo) Co., Ltd.	Acrylic esters	7,849,446 (USD248,973)	Indirect investment	5,332,705 (USD163,570)	-	-	5,332,705 (USD163,570)	(415,177) (USD-13,665)	100.00%	100.00%	(414,922) (USD-13,657)	14,392,372 (USD453,760)	-
Formosa Polypropylene (Ningbo) Co., Ltd.	Polypropylene	6,980,064 (USD211,900)	Indirect investment	6,980,064 (USD211,900)	-	-	6,980,064 (USD211,900)	(56,338) (USD-1,854)	100.00%	100.00%	(56,338) (USD-1,854)	6,473,640 (USD204,100)	-
Formosa Super Absorbent Polymer (Ningbo) Co., Ltd.	Absorbent polymer	834,293 (USD26,300)	Indirect investment	624,930 (USD19,300)	-	-	624,930 (USD19,300)	(16,191) (USD-533)	100.00%	100.00%	(16,190) (USD-533)	1,080,806 (USD34,075)	-
Formosa electronic (Ningbo) Co., Ltd.	Electronics	74,648 (USD2,260)	Indirect investment	66,137 (USD2,000)	-	-	66,137 (USD2,000)	28,017 (USD922)	100.00%	100.00%	28,017 (USD922)	245,273 (USD7,733)	-
Formosa Polyethylene (Ningbo) Co., Ltd.	Polyethylene	1,670,088 (USD57,500)	Indirect investment	1,670,088 (USD57,500)	-	-	1,670,088 (USD57,500)	(102,807) (USD-3,384)	100.00%	100.00%	(102,807) (USD-3,384)	1,696,202 (USD53,478)	-
Formosa Mitsui Advanced Chemical Co., Ltd.	Electrolyte	244,196 (USD8,200)	Indirect investment	122,098 (USD4,100)	-	-	122,098 (USD4,100)	(9,426) (USD-310)	50.00%	50.00%	(4,713) (USD-155)	123,534 (USD3,895)	-
Fujian Fuxin Special Steel Co., Ltd	Steel	15,371,400 (USD500,000)	Indirect investment	3,842,850 (USD125,000)	-	-	3,842,850 (USD125,000)	(6,073,653) (USD-199,907)	33.00%	33.00%	(1,518,413) (USD-49,977)	2,265,346 (USD71,421)	-

Note: Except for Formosa Mitsui Advanced Chemical Co., Ltd. and Fujian Fuxin Special Steel Corp., the others were already written off in the consolidated financial statements.

(Continued)

(ii) Quota for investment in Mainland China:

Accumulative remittance from Taiwan to Mainland China, end of the period	Amount of investment approved by Investment Commission, Ministry of Economic Affairs (Note 1)	Limit on the amount of investment in Mainland China (Note 2)
22,845,455 (USD709,370)	27,067,602 (USD853,383)	-

Note: The exchange rate of New Taiwan dollars to US dollars on December 31, 2014, was 31.718 to 1.

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

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

(iii) Significant transactions：None.

(Continued)

14. Segment Information

(a) General information:

The Consolidated Company's five reportable segments are: plastic division, polyolefin division, polypropylene division, tairylan division and chemical division. Plastic division is mainly engaged in the manufacture and sale of PVC; polyolefin division is mainly engaged in the manufacture and sale of polyethylene; polypropylene division is mainly engaged in the manufacture and sale of polypropylene; tairylan division is mainly engaged in the manufacture and sale of acrylic esters; chemical division is mainly engaged in the manufacture and sale of acrylonitrile.

The Consolidated Company's reportable segments are responsible for the Company's strategic business units, including the manufacturing and supplying of different products. Since each strategic business unit requires different technology and marketing strategies, it must be administered separately.

No tax expenses are allocated to the reporting segment. In addition, the reporting segment does not include depreciation and amortization of significant non-cash items. The reportable amount is similar to that of the report used by the chief operating decision maker.

The accounting policies of the operating segments are the same as those described in note 4. The operating segment's profit of the Consolidated Company uses the operating income before tax as the measurement and basis of performance evaluation. The Consolidated Company treats intersegment sales and transfers as third-party transactions. They are measured at market price.

Operating segments are combined and reconciled as follows:

	For the year ended December 31, 2013							
	Plastic division	Polyolefin division	Polypropylene division	Tairylan division	Chemistry division	Others divisions	Adjustments and eliminated	Total
Revenue:								
From external customers	$ 70,455,423	38,580,796	36,380,414	34,834,165	31,208,243	3,965,727	-	215,424,768
From sales among intersegments	1,780,154	2,115,699	122,762	80,010	3,550,959	5,563,065	(13,212,649)	-
Interest income	85,890	15,415	43,573	245,967	-	284,998	(7,092)	668,751
Total revenue	$ 72,321,467	40,711,910	36,546,749	35,160,142	34,759,202	9,813,790	(13,219,741)	216,093,519
Interest expense	149,210	33,731	145,093	508,768	24,495	628,627	(7,092)	1,482,832
Depreciation and amortization	3,221,382	237,386	1,011,851	874,679	711,251	2,836,550	-	8,893,099
Reportable segment profit or loss	$ 1,663,788	872,429	(286,004)	1,325,429	1,815,290	724,267	17,049,299	23,164,498
Capital expenditure of non-current assets	2,319,428	2,899,881	324,576	6,569,630	123,194	911,961	-	13,148,670
Reportable segment assets	$ 35,116,099	13,187,472	23,325,443	46,994,416	8,129,011	319,798,805	(37,804,881)	408,746,365
Reportable segment liabilities	$ 10,645,846	5,579,828	15,128,319	24,399,320	679,632	97,248,984	(7,371,917)	146,310,012

(Continued)

FORMOSA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	For the year ended December 31, 2014							
	Plastic division	Polyoefin division	Polypropylene division	Tairylan division	Chemistry division	Others divisions	Adjustments and eliminated	Total
Revenue:								
From external customers	$ 68,519,456	39,541,567	40,566,854	31,344,825	32,435,980	4,180,358	-	216,589,040
From sales among intersegments	1,548,095	2,051,970	130,248	83,351	3,415,102	5,308,278	(12,537,044)	-
Interest income	41,389	9,556	138,089	152,020	-	159,410	-	500,464
Total revenue	$ 70,108,940	41,603,093	40,835,191	31,580,196	35,851,082	9,648,046	(12,537,044)	217,089,504
Interest expense	135,736	7,977	207,597	407,025	14,197	793,004	-	1,565,536
Depreciation and amortization	2,763,820	228,347	964,994	2,905,265	681,510	556,104	-	8,100,040
Reportable segment profit or loss	$ 1,539,887	2,104,835	837,463	(1,631,858)	2,848,949	1,014,927	13,837,350	20,551,553
Capital expenditure of non-current assets	2,691,089	2,317,302	157,307	2,551,454	53,052	304,092	-	8,074,296
Reportable segment assets	$ 36,331,322	14,901,334	20,581,766	44,748,084	8,867,489	360,163,512	(54,506,817)	431,086,690
Reportable segment liabilities	$ 11,728,284	6,074,653	11,232,332	23,789,873	384,451	117,851,476	(25,866,097)	145,194,972

(b) Geographic area information

The Consolidated Company's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are as follows:

Geographic	2013	2014
Revenue from external customers:		
Taiwan	$ 80,607,780	87,090,701
Mainland China	82,913,706	79,731,163
Others	51,903,282	49,767,176
	$ 215,424,768	216,589,040
	December 31, 2013	**December 31, 2014**
Non-current assets:		
Taiwan	$ 59,227,160	52,519,448
Mainland China	36,213,153	43,059,397
Total	$ 95,440,313	95,578,845

Non-current assets include property, plant and equipments, intangible assets and other assets, but do not include financial instruments and deferred tax assets.

(c) Major customers

There is no single customer's sale which exceeds 10% of the Consolidated Company's revenue.

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei, 11049, Taiwan, R.O.C.
Telephone 電話 +886 (2) 8101 6666
Fax 傳真 +886 (2) 8101 6667
Internet 網址 www.kpmg.com.tw

Independent Auditors' Report

The Board of Directors
Nan Ya Plastics Corporation:

We have audited the accompanying consolidated balance sheets of Nan Ya Plastics Corporation (the"Company") and subsidiaries as of January 1, 2012, December 31, 2012 and 2013 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2012 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements of certain subsidiaries. Total assets of the aforementioned subsidiaries were $129,204,957 thousand, $125,247,992 thousand and $139,552,450 thousand, constituting 27.14%, 27.30% and 26.61% of the consolidated total assets as of January 1, 2012, December 31, 2012 and 2013, respectively. Total revenues of the subsidiaries were $97,383,312 thousand and $97,485,573 thousand, constituting 32.38% and 31.35% of the consolidated total revenues for the years ended December 31, 2012 and 2013, respectively. In addition, we did not audit the financial statements of certain investee companies under the equity method. The Consolidated Company's investments in the aforementioned investee companies were $80,144,211 thousand, $71,844,692 thousand and $84,268,523 thousand, constituting 16.84%, 15.66% and 16.07% of the consolidated total assets as of January 1, 2012, December 31, 2012 and 2013, respectively, and the Consolidated Company's equity in net earnings of these investee companies were $3,134,531 thousand and $9,151,103 thousand , constituting (278.27)% and 21.36% of the consolidated total comprehensive income for the year ended December 31, 2012 and 2013, respectively. The consolidated financial statements of the aforementioned subsidiaries and investee companies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries and investee companies, is based solely on the reports of other auditors.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Nan Ya Plastics Corporation and subsidiaries as of January 1, 2012, and December 31, 2012 and 2013, and the results of their operations and their consolidated cash flows for the years then ended December 31, 2012 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards as endorsed by the ROC Financial Supervisory Commission (FSC), International Accounting Standards, IFRIC interpretations and SIC interpretations (hereinafter referred to IFRS as endorsed by the FSC).

We have also audited the parent company only financial statements of Nan Ya Plastics Corporation as of and for the years ended December 31, 2012 and 2013, on which we have issued a modified unqualified opinion, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China.

KPMG

Taipei, Taiwan (the Republic of China)
March 26, 2014

Note to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between or any difference in the interpretation of the two versions, the Chinese language shall prevail.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JANUARY 1, 2012, DECEMBER 31, 2012 AND 2013
(Expressed in thousands of New Taiwan Dollars)

	January 1,2012	December 31, 2012	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents (note 6(1))	$ 28,330,267	25,341,818	24,547,373
Financial assets at fair value through profit or loss－current (note 6(18))	9,860	-	-
Available-for-sale financial assets－current (notes 6(2) and (18))	40,343,701	38,494,571	43,162,997
Notes receivable, net (note 6(18))	6,228,202	5,734,422	6,917,412
Accounts receivable, net (note 6(18))	33,372,020	31,366,659	35,330,345
Receivables from related parties (note 7)	1,642,861	2,491,233	2,532,219
Other receivables	4,065,433	1,879,635	1,700,011
Other receivables from related parties (note 7)	46,377,123	44,527,906	63,778,842
Inventories, net (note 6(4))	45,231,953	43,174,925	45,220,280
Other current assets	5,467,466	4,975,741	6,410,802
Total current assets	211,068,886	197,986,910	229,600,281
Non-current assets:			
Available for-sale financial assets－non-current (notes 6(2) and (18))	3,108,246	2,791,326	10,515,714
Financial assets carried at cost－non-current (note 6(2))	3,013,563	3,007,751	3,009,879
Investments accounted for using equity method (note 6(5))	95,824,778	89,657,543	114,532,675
Property, plant and equipment (note 6(6))	149,123,572	147,209,765	147,810,707
Technology development expense	456,154	348,242	247,060
Deferred tax assets	5,300,609	6,766,145	6,430,974
Prepayments on purchase of equipment	2,148,940	2,528,121	2,418,547
Overdue receivables (note 6(3))	-	-	-
Prepaid pension costs－non-current	1,014	1,014	1,014
Other assets	5,960,941	8,500,235	9,943,279
Total non-current assets	264,937,817	260,810,142	294,909,849
Total assets	$ 476,006,703	458,797,052	524,510,130

	January 1, 2012	December 31, 2012	December 31, 2013
Liabilities and Equity			
Current liabilities:			
Short-term borrowings (notes 6(8) and (18))	$ 12,450,111	9,325,139	14,337,560
Short-term notes and bills payable (notes 6(7) and (18))	-	-	4,499,306
Financial liabilities at fair value through profit or loss－current (note 6(18))	40,608	28,560	-
Notes and accounts payable (note 6(18))	7,814,009	7,749,815	7,104,310
Payables to related parties (notes 6 (18) and 7)	10,801,576	10,990,371	11,456,920
Other payables	15,560,586	11,557,178	15,025,997
Other payables to related parties (note 7)	21,358	14,000	15,900
Current portion of bonds payable (notes 6(10) and (18))	7,493,206	17,486,256	17,987,255
Current portion of long-term debts (notes 6(10) and (18))	6,946,104	10,709,068	22,718,829
Other current liabilities	1,037,540	1,255,705	915,947
Total current liabilities	62,165,098	69,116,092	94,062,024
Non-current liabilities:			
Financial liabilities at fair value through profit or loss－non-current (note 6(18))	30,456	-	-
Bonds payable (notes 6(10) and (18))	65,518,233	59,539,863	73,214,727
Long-term debts (notes 6(9) and (18))	43,946,860	45,216,114	29,604,621
Deferred tax liability	6,324,283	5,452,037	6,612,663
Accrued pension liabilities (note 6(11))	24,801,528	25,158,007	24,818,051
Guarantee deposits	626,267	614,616	645,271
Other liabilities	273,526	220,313	205,222
Total non-current liabilities	141,521,153	136,200,950	135,100,555
Total liabilities:	203,686,251	205,317,042	229,162,579
Equity Attributable to Owners of the Parent (notes 6(13)):			
Common stock	78,522,986	78,522,986	79,308,216
Capital surplus	22,418,458	21,980,174	21,917,718
Retained Earnings	128,182,661	115,962,034	138,092,702
Others	30,122,462	25,356,561	43,134,677
Treasury stock	(1,945)	(1,945)	(1,945)
Non-controlling interests	13,075,830	11,660,200	12,896,183
Total Equity	272,320,452	253,480,010	295,347,551
Total liabilities and equity	$ 476,006,703	458,797,052	524,510,130

See accompanying notes to consolidated financial statements.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

		2012	2013
Operating revenues, net (notes 6(17) and 7)	$	300,710,497	311,005,289
Operating costs (notes 6(4), 7 and 12)		271,588,047	278,338,457
Realized (unrealized) profit from affiliated companies (note 7)		(17,751)	5,605
Gross profit, net		29,140,201	32,661,227
Operating expenses (notes 6(11) and 7):			
Selling expenses		9,156,331	9,626,789
Administrative expenses		7,336,811	8,222,295
Total operating expenses		16,493,142	17,849,084
Operating income		12,647,059	14,812,143
Non-operating income and expenses:			
Other income (note 6(17))		6,326,228	3,972,786
Other gains and losses (note 6(17))		(78,987)	1,646,672
Finance costs (note 6(17))		(2,374,080)	(2,200,700)
Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(5))		(10,917,469)	12,726,562
Total non-operating income and expenses		(7,044,308)	16,145,320
Income before income tax		5,602,751	30,957,463
Less: Income tax expense (note 6(12))		1,963,268	5,893,763
Net income		3,639,483	25,063,700
Other comprehensive income (loss) (note 6(13))			
Foreign currency translation differences-foreign operation		(3,744,532)	5,235,320
Unrealized gains on available-for-sale financial assets		(1,174,761)	10,266,627
Share of other comprehensive income of associates and joint ventures accounted for using equity method		42,558	2,371,300
Other comprehensive income－other		(28,128)	11,245
Income tax benefit (expense) related to components of other comprehensive income		(138,962)	106,376
Other comprehensive income for the period, net of tax		(4,765,901)	17,778,116
Total comprehensive income (loss) for the period	**$**	**(1,126,418)**	**42,841,816**
Net income attributable to:			
Owners of Parent	$	4,269,200	25,271,588
Non-controlling interests		(629,717)	(207,888)
	$	**3,639,483**	**25,063,700**
Comprehensive income (loss) attributable to:			
Owners of Parent	$	(496,701)	43,049,704
Non-controlling interests		(629,717)	(207,888)
	$	**(1,126,418)**	**42,841,816**

		2012 Income Attributable to shareholders of the Parent	2013 Income Attributable to shareholders of the Parent
Basic earnings per share：			
Before income tax	**$**	**0.59**	**3.50**
After income tax	**$**	**0.54**	**3.19**

See accompanying notes to consolidated financial statements.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013
(Expressed in thousands of New Taiwan Dollars)

	Attributable to Owners of Parent												
			Retained earnings			Others							
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation differences	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedge reserve	Others	Treasury stock	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance, January 1, 2012	$ 78,522,986	22,418,458	40,976,104	54,074,899	33,131,658	-	30,169,703	(47,241)	-	(1,945)	259,244,622	13,075,830	272,320,452
Legal reserve	-	-	2,314,297	-	(2,314,297)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	4,337,139	(4,337,139)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(16,489,827)	-	-	-	-	-	(16,489,827)	-	(16,489,827)
Other changes in capital surplus													
Other changes in capital surplus	-	(438,481)	-	-	-	-	-	-	-	-	(438,481)	-	(438,481)
Net income for the period	-	-	-	-	4,269,200	-	-	-	-	-	4,269,200	(629,717)	3,639,483
Other comprehensive income for the period, net of income tax	-	-	-	-	-	(3,605,570)	(1,167,198)	34,995	(28,128)	-	(4,765,901)	-	(4,765,901)
Total comprehensive income for the period	-	-	-	-	4,269,200	(3,605,570)	(1,167,198)	34,995	(28,128)	-	(496,701)	(629,717)	(1,126,418)
Recognition of capital surplus resulting from dividends to subsidiaries	-	197	-	-	-	-	-	-	-	-	197	-	197
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(785,913)	(785,913)
Balance, December 31, 2012	78,522,986	21,980,174	43,290,401	58,412,038	14,259,595	(3,605,570)	29,002,505	(12,246)	(28,128)	(1,945)	241,819,810	11,660,200	253,480,010
Legal reserve	-	-	421,603	-	(421,603)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	6,243,060	(6,243,060)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,355,690)	-	-	-	-	-	(2,355,690)	-	(2,355,690)
Stock dividends	785,230	-	-	-	(785,230)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,167)	1,167	-	-	-	-	-	-	-	-
Other changes in capital surplus													
Other changes in capital surplus	-	(62,484)	-	-	-	-	-	-	-	-	(62,484)	-	(62,484)
Net income for the period	-	-	-	-	25,271,588	-	-	-	-	-	25,271,588	(207,888)	25,063,700
Other comprehensive income for the period, net of income tax	-	-	-	-	-	5,128,944	12,623,965	13,962	11,245	-	17,778,116	-	17,778,116
Total comprehensive income for the period	-	-	-	-	25,271,588	5,128,944	12,623,965	13,962	11,245	-	43,049,704	(207,888)	42,841,816
Recognition of capital surplus resulting from dividends to subsidiaries	-	28	-	-	-	-	-	-	-	-	28	-	28
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,443,871	1,443,871
Balance, December 31, 2013	$ 79,308,216	21,917,718	43,712,004	64,653,931	29,726,767	1,523,374	41,626,470	1,716	(16,883)	(1,945)	282,451,368	12,896,183	295,347,551

See accompanying notes to consolidated financial statements.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013
(Expressed in thousands of New Taiwan Dollars)

		2012	2013
Cash flows from operating activities:			
Income before income tax	$	5,602,751	30,957,463
Adjustments:			
Adjustments to reconcile net income to net cash provided			
Depreciation		15,228,038	14,744,325
Amortization		1,423,500	1,413,952
Net gain of financial assets and liabilities based on fair value		(32,644)	(28,560)
Interest expense		2,374,080	2,200,700
Share of (profit) loss of associates and joint ventures accounted for using equity method		10,917,469	(12,726,562)
Gain on disposal of property, plant and equipment		(762,426)	(374,930)
Property, plant and equipment transferred to expense		58	12,160
Gain on disposal of investments		(960,944)	(20,055)
Unrealized profit (loss) from associates		(17,751)	5,605
Unrealized foreign exchange gain		(34,183)	(185,071)
Unclaimed dividend and overdue compensation of directors transferred to other income		(40,149)	(54,895)
Gain from price recovery of property, plant and equipment		(6)	(4,667)
		28,095,042	4,982,002
Changes in operating assets and liabilities:			
Changes in operating assets			
Notes receivable		476,454	(1,182,990)
Accounts receivable (including related parties)		1,194,413	(3,850,530)
Other receivables		2,320,108	179,660
Inventories		1,005,350	(2,364,495)
Other current assets		491,540	(1,436,244)
Total changes in operating assets		5,487,865	(8,654,599)
Changes in operating liabilities			
Notes and accounts payable		137,886	(171,805)
Other payables		(2,489,253)	(703,199)
Other current liabilities		218,165	(339,758)
Accrued pension cost		356,479	(339,956)
Total changes in operating liabilities		(1,776,723)	(1,554,718)
Net changes in operating assets and liabilities		3,711,142	(10,209,317)
Cash generated from operations		37,408,935	25,730,148
Dividends received		5,205,582	2,175,466
Interest paid		(2,232,428)	(2,283,999)
Income taxes paid		(5,794,178)	(195,079)
Net cash provided by operating activities		34,587,911	25,426,536
Cash flows from investing activities:			
Acquisition of available-for-sale financial assets		(3,395,000)	(4,300,005)
Proceeds from disposal of available for-sale financial assets		3,710,731	1,752,993
Proceeds from capital reduction from financial assets carried at cost		2,516	-
Acquisition of investments accounted for using equity method		(10,798,877)	(11,399,315)
Proceeds from disposal of investments accounted for using equity method		833,043	-
Acquisition of property, plant and equipment		(15,028,299)	(9,757,385)
Proceeds from disposal of property, plant and equipment		1,301,481	988,493
Increase in refundable deposits		(77,644)	(2,536)
Decrease (increase) in other receivables from related parties		1,849,217	(19,250,936)
Increase in other non-current assets		(4,414,597)	(4,331,277)
Net cash used in investing activities		(26,017,429)	(46,299,968)
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings		(3,124,972)	5,012,421
Increase in short-term notes and bills payable		-	4,499,306
Proceeds from issuance of bonds payable		11,969,444	31,262,271
Repayment of bonds payable		(7,500,000)	(17,500,000)
Increase in long-term debts		12,500,000	10,021,963
Repayment of long-term debts		(8,044,248)	(13,623,695)
(Decrease) increase in guarantee deposits		(11,651)	30,655
(Decrease) increase in other payables to related parties		(7,358)	1,900
(Decrease) increase in other non-current liabilities		(12,590)	18,715
Cash dividends paid		(16,473,396)	(2,353,884)
Changes in non-controlling interests		(1,011,488)	1,844,215
Net cash (used) provied in financing activities		(11,716,259)	19,213,867
Effect of exchange rate fluctuations on cash held		157,328	865,120
Decrease in cash and cash equivalents		(2,988,449)	(794,445)
Cash and cash equivalents, beginning of year		28,330,267	25,341,818
Cash and cash equivalents, end of year	$	25,341,818	24,547,373

See accompanying notes to consolidated financial statements.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2012
(All amounts are expressed in thousands of New Taiwan dollars except for per share information or unless otherwise specified)

1. Organization and principal activities

Nan Ya Plastics Corporation (the "Company") was incorporated on August 22, 1958, and established its factories in Kaohsiung City. The Company engages in the manufacture and sale of plastic products, polyester fibers, petrochemical products, and electronic materials. The Company has gone through several capital increases and established many divisions. Currently, the Company has the following divisions: plastics, fiber, petrochemical, electronics, and engineering. The Company has 10 manufacturing plants across Taiwan, 1 branch office in Mai-Liao and 1 branch office in Sen-Kong.

2. Approval date and procedures of the consolidated financial statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 26, 2014.

3. New standards and interpretations not yet adopted

(a) New standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect.

The International Accounting Standards Board ("IASB") issued the International Financial Reporting Standard 9 Financial instruments ("IFRS 9") on November 2009, which should take effect on January 1, 2013 (In December, 2011, IASB postponed the effective date to January 1, 2015, and in November 2013, the IASB abolished the effective date as January 1, 2015 for preparers of financial reports to have sufficient time in translating to IFRSs, and the new effective date has not yet been announced). According to IFRS 9 endorsed by FSC, early adoption is not permitted, and companies shall follow the guidance in accordance to the 2009 version of the International Accounting Standards 39 Financial instruments ("IAS 39"). As of the reporting date, the effective date has not yet been announced. At the adoption of this new standard, it is expected that there will be impacts on the classification and measurement of financial instruments in the consolidated financial statements.

(b) New standards and interpretations not yet endorsed by the FSC

The following are the new standards and amendments issued by the IASB but are not yet endorsed by the FSC until the reporting date that may impact the Company and its subsidiaries (Consolidated Company):

Issue date	New standards and amendments	Description	Effective date Issued by IASB
May 12, 2011 June 28, 2012	· IFRS 10 Consolidated Financial Statements · IFRS 11 Joint Arrangements · IFRS 12 Disclosure of Interests in Other Entities	· On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments.	January 1, 2013

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Issue date	New standards and amendments	Description	Effective date Issued by IASB
	‧ Amendments to IAS 27 Separate Financial Statements ‧ Amendments to IAS 28 Investments in Associates and Joint Ventures	‧ The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities), other than consolidation process, in which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (concepts from joint controlled assets and joint controlled operations), and joint venture (concepts from jointly controlled entities), and removal of the proportionate consolidation method. ‧ On June 28, 2012, amendments were issued to clarify the guidance over the transition period. The adoption of aforementioned amendments may result in changes in the judgment of the ability to control over part of the investees, and in more extensive disclosures of equity from subsidiaries and associates.	
May 12, 2011	IFRS 13 Fair Value Measurement	Replaces fair value measurement guidance in other standards, and consolidated in one single guidance. The Consolidated Company may need further analysis that how the aforementioned amendments could affect the assets and liabilities. Moreover, aforementioned amendments may result in more disclosures of fair value.	January 1, 2013
June 16, 2011	Amendments to IAS 1 Presentation of Financial Statements	Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently. The adoption of aforementioned amendments may change the presentation on the statement of comprehensive income.	July 1, 2012
June 16, 2011	Amendments to IAS 19 Employee Benefits	Eliminates the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) into profit or loss; in addition, requires the immediate recognition of past service cost. The adoption of aforementioned amendments may change the measurement and presentation on accrued pension cost and	January 1, 2013

(Continued)

Issue date	New standards and amendments	Description	Effective date Issued by IASB
		actuarial gains and losses.	
January 28, 2010	Amendments to IFRS 1 First - time Adoption of IFRS	Provide first-time adopters with limited exemption from comparative disclosures regarding to fair value and liquidity risk based on IFRS 7 “Financial Instruments: Disclosures”. The adoption of aforementioned amendments may change the disclosure and presentation of financial instruments.	July 1, 2010
May 20, 2013	IFRIC 21 Levies	IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.	January 1, 2014 Early adoption permitted
May 29, 2013	Amendments to IAS 36 Impairment of Assets	The amended standard effective January 1, 2013 requires the Company to disclose the recoverable amount for each cash-generating unit (group of units) for which the carrying amount of goodwill or the intangible assets with indefinite useful lives allocated to that unit (group of units) are significant. Further amendments effective January 1, 2014 clarify that the Company is only required to disclose the recoverable amount in the period of impairment accrual or reversal. Furthermore, if the recoverable amount is based on the fair value, less, costs of disposal, the fair value hierarchy and key assumptions (level 2 or 3) used to measure its fair value should be disclosed. The Company believes that the adoption of the standards above will not have a significant effect on financial statements. The adoption of aforementioned amendments may result in a broader disclosure for asset impairment.	January 1, 2014 Early adoption permitted

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Issue date	New standards and amendments	Description	Effective date Issued by IASB
November 21, 2013	Amendments to IAS 19 Employee Benefits	The amendments (2011) clarified the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. However, the amendments (2013) allowed, but not requested to provide relief in that entities are allowed to deduct contributions from service cost in the period in which the service is rendered. The adoption of aforementioned amendments may affect the presentation and measurement of accrued pension liabilities and actuarial gains or losses.	July 1, 2014 Early adoption permitted
December 16, 2011	• Amendments to IAS 32 Financial instruments : Presentation • Amendments to IFRS 7 Financial instruments : Disclosures	A The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, the amendments are intended to provide relief in that entities and are allowed to deduct contributions from service cost in the period in which the service is rendered. This was common practice prior to the 2011 amendments to IAS 19.	2014.1.1 (for presentation) 2013.1.1 (for disclosures)
December 12, 2013	• Amendments to IFRS 1 First-time Adoption of IFRS • Amendments to IFRS 8 Operating Segments • IFRS 13 Fair Value Measurement • Amendments to IAS 24 Related Party Disclosures	Announced Annual Improvements – 2010- 2012 cycle and 2011-2013 cycle; major amendments include: • Requires an entity to disclose the judgments made by management in applying the aggregation criteria. • Clarifies the scope of financial instrument contracts which fair value is measured at net value. • Clarifies that key managements include the representatives assigned by legal person as corporate directors. • The adoption of aforementioned amendments may affect the recognition and accounting treatments of financial instruments and the scope of related party's disclosures.	July 1, 2014 Early adoption permitted

(Continued)

4. Summary of Significant Accounting Policies

The following significant accounting policies are adopted in the accompanying consolidated financial statements. Except for those additional accounting policy disclosures described herein, the significant accounting policies have been applied consistently to each of the periods presented in these consolidated financial statements, and have been applied consistently to the opening balance sheet as of January 1, 2012, which is prepared for the purpose of transitioning to IFRSs endorsed by the FSC.

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and the IFRS endorsed by the FSC.

(Continued)

The accompanying consolidated financial statements are the Consolidated Company's first consolidated financial statements prepared in accordance with IFRS as endorsed by the FSC and IFRS 1 "First-time Adoption of International Financial Reporting Standards" also endorsed by the FSC. An explanation of how the transition to IFRS as endorsed by the FSC has affected the reported consolidated financial position, financial performance, and cash flows of the Consolidated Company is provided in note 14.

(b) Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except for the following material items in the consolidated balance sheet.

1. Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments) ;

2. Available-for-sale financial assets are measured at fair value;

3. Defined benefit assets are recognized as plan assets, plus, unrecognized past service cost and unrecognized actuarial loss, less, unrecognized actuarial gain and the present value of the defined benefit obligation.

Functional and presentation currency

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

(c) Basis of consolidation

1. Principle of preparing consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries (the Consolidated Company).

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2. List of subsidiaries included in the consolidated financial statements:

Investor	The name of subsidiaries	Business activity	January 1, 2012	December 31, 2012	December 31, 2013
The company	Nan Ya Plastics Corporation U.S.A.	production of plastic products	100.00%	100.00%	100.00%
The company	Nan Ya Plastics Corporation America	production of plastic, polyester and chemical products	100.00%	100.00%	100.00%
The company	Formosa Plastics Group Investment Corp	investment	100.00%	100.00%	100.00%
The company	Nan Ya Plastics (Hong Kong) Co., Ltd.	plastics trading, investment holding	100.00%	100.00%	100.00%
The company	Superior World Wide Trading Co., Ltd.	plastics trading, investment holding	99.99%	99.99%	99.99%
The company	Nan Ya PCB Corporation	production of printed circuit board	66.97%	66.97%	66.97%
The company	Wen Fung Industrial Co., Ltd.	plastics processing	51.19%	51.19%	51.19%
The company	Nan Chung Petrochemical Corporation	production of chemical products	50.00%	50.00%	50.00%
Nan Ya PCB Corporation	Nan Ya PCB (U.S.A.) Corporation	electronic materials repair	100.00%	100.00%	100.00%
Nan Ya PCB Corporation	Nan Ya PCB (HK) Corporation	electronic materials trading, investment holding	100.00%	100.00%	100.00%
Nan Ya PCB Corporation	Nan Ya PCB (Kunshan) Corporation	production of printed circuit board	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Nantong) Co., Ltd.	production of plastic products, production of steam and electricity	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Synthetic Leather (Nantong) Co., Ltd. (Note 1)	production of plastic products	100.00%	- %	- %
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Construction Materials (Nantong) Co., Ltd. (Note 3)	production of plastic products	100.00%	- %	- %
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electric (Nantong) Co., Ltd.	production of switch gear and control panel	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd.	production of plastic products	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Cogeneration Plant (Nantong) Co., Ltd. (Note 1)	production of steam and electricity	100.00%	- %	- %
Nan Ya Plastics (Hong Kong) Co., Ltd.	China Nantong Huafeng Co., Ltd.	production of plastic products	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nantong Huafu Plastics Co., Ltd.	production of plastic products	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	production of electronic materials	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Cogeneration Plant (Kunshan) Co., Ltd.(Note 2)	production of steam and electricity	100.00%	- %	- %
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Epoxy Resin (Kunshan) Co., Ltd. (Note 2)	production of electronic materials	100.00%	- %	- %
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Copper Foil (Kunshan) Co., Ltd. (Note 2)	production of electronic materials	100.00%	- %	- %
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Glass Fabrics (Kunshan) Co., Ltd. (Note 2)	production of electronic materials	100.00%	- %	- %
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Polyester Fiber (Kunshan) Corporation	production of polyester products	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Guangzhou) Co., Ltd. (Note 4)	production of polyester products	85.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Construction Materials (Guangzhou) Co., Ltd.	production of polyester products	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Rigid Film (Guangzhou) Co., Ltd.	production of polyester products	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Huizhou) Co., Ltd.	production of polyester products	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd.	production of polyester products	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd.	production of electronic materials	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Trading (Huizhou) Co., Ltd.	trading	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Hsiamen) Co., Ltd.	production of plastic products	85.00%	85.00%	85.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd.	production of plastic products and plasticizer	100.00%	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Anshan) Co., Ltd.	production of plastic products	100.00%	100.00%	100.00%
Wen Fung Industrial Co., Ltd.	Wenling Technology Corporation	production of electronic components	100.00%	100.00%	100.00%
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Property (Kunshan) Co., Ltd.	real estate development	100.00%	100.00%	100.00%

(Continued)

The Company holds the fifty-percent voting shares of Nan Chung Petrochemical Corporation, and the general manager of Nan Chung Petrochemical Corporation was designated by the Company. As the Company has control over the operations of Nan Chung Petrochemical Corp, the Company included Nan Chung Petrochemical Corporation, a subsidiary company, in the consolidated financial statements.

Note 1: On September 1, 2012, Nan Ya Plastics (Nantong) Co., Ltd. merged Nan Ya Cogeneration Plant (Nantong) Co., Ltd. and Nan Ya Synthetic Leather (Nantong) Co., Ltd., with Nan Ya Plastics (Nantong) Co., Ltd. as the surviving entity from this merger.

Note 2: On October 1, 2012, Nan Ya Electronic Materials (Kunshan) Co., Ltd. merged Nan Ya Copper Foil (Kunshan) Co., Ltd., Nan Ya Glass Fabrics (Kunshan) Co., Ltd., Nan Ya Cogeneration Plant (Kunshan) Co., Ltd., and Nan Ya Epoxy Resin (Kunshan) Co., Ltd., with Nan Ya Electronic Materials (Kunshan) Co., Ltd. as the surviving entity from this merger.

Note 3: On November 1, 2012, Nan Ya Plastics Film (Nantong) Co., Ltd. merged Nan Ya Plastics Construction Materials (Nantong) Co., Ltd., with Nan Ya Plastics Film (Nantong) Co., Ltd. as the surviving entity from this merger.

Note 4: On September 1, 2012, Nan Ya Rigid Film (Guangzhou) Co., Ltd. acquired 15 percent ownership of Nan Ya Plastics (Guangzhou) Co., Ltd. As a result, Nan Ya Plastics (Hong Kong) Co., Ltd. directly and indirectly holds 100 percent ownership of Nan Ya Plastics (Guangzhou) Co., Ltd.

(d) Foreign currency

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

Foreign currency denominated non-monetary assets and liabilities measured at fair value are translated to the functional currency at the exchange rate on the date when fair value was determined. Foreign currency denominated non-monetary items measured at historical cost is translated using the exchange rate at the date of the transaction.

(Continued)

Foreign currency differences arising on translation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the translation:

- available-for-sale equity investment;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

Foreign operations

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

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

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

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

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

1. The asset is expected to be realized, or sold or consumed, during the Consolidated Company's normal operating cycle;
2. The asset is held primarily for the purpose of trading;

(Continued)

3. The asset is expected to be realized within twelve months after the balance sheet date; or

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

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

1. The liability is expected to be settled during the Consolidated Company's normal operating cycle;

2. The liability is held primarily for the purpose of trading;

3. The liability is due to be settled within twelve months after the balance sheet date; or

4. The Consolidated Company does not have any unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in bank and call deposits with maturities of three months or less from the acquisition date, and with insignificant risk of changes in their fair value and high liquidity.

Time deposits with maturity within three months or less that are intended for the purpose of meeting short-term cash requirement other than investment or any other purpose, and can be converted to cash with an insignificant risk of changes in their fair value are classified under cash and cash equivalent.

(g) Financial instruments

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

1. Financial assets

Financial assets are categorized into financial assets at fair value through profit or loss, loans, receivables, and available-for-sale financial assets.

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

Financial assets classified under this category are mainly the financial assets held-for-trading, or designated as at fair value through profit or loss on initial recognition.

(Continued)

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. Financial assets, other than ones classified as held-for-trading, are designated as at fair value through profit or loss at initial recognition under one of the following situations:

A. Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

B. Performance of the financial asset is evaluated on a fair value basis;

C. A hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial assets in this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend and interest income, are recognized in profit or loss.

(2) Available-for-sale financial assets

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

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

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

Interest income from receivables is recognized in profit or loss, under other income of the results from non-operating activities.

(Continued)

(3) Loans and receivables

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

Interest income from receivables is recognized in profit or loss.

(4) Impairment of financial assets

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

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

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

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

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

(Continued)

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

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

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

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

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

(5) Derecognition of financial assets

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

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

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

(Continued)

2. Financial liabilities

(1) Classification of debt or equity

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

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

Interests, gains and losses related to financial liabilities are recognized in profit or loss.

Financial liabilities are reclassified to equity on conversion, on which no gains or losses are recognized.

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

Financial liabilities classified under this category are mainly financial liabilities held-for-trading, or designated as at fair value through profit or loss on initial recognition.

Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. Financial liabilities, other than ones classified as held-for-trading, are designated as at fair value through profit or loss at initial recognition under one of the following situations:

(i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

(ii) Performance of the financial liabilities is evaluated on a fair value basis;

(iii) A hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial liabilities in this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which take into account any interest expense, are recognized in profit or loss.

Financial liabilities at fair value through profit or loss measured at cost, which are recognized as "Financial liabilities carried at cost", include obligations to deliver equity investments that do not have a quoted price borrowed by a short seller.

Gains and losses on financial guarantee contracts and loan commitments that the Consolidated Company issues and designates as financial liabilities are recognized in profit or loss.

(Continued)

(3) Other financial liabilities

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

(4) Derecognition of financial liabilities

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

(5) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Investment in associates

Associates are those entities in which the Consolidated Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Consolidated Company holds between 20% and 50% of the voting power of another entity.

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

(Continued)

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

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

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

(j) Joint controlled entities

Jointly controlled entity is an entity which is established as a result of a contractual arrangement between the Consolidated Company and other joint venture partners to jointly control over its financial policy and operating policy. Consensus for all decisions must be obtained from the joint venture partners. The Consolidated Company uses equity method to account for the jointly controlled entity.

(k) Property, plant and equipment

1. Recognition and measurement

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

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

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

(Continued)

2. Subsequent cost

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

3. Depreciation

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

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

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

(1) Buildings: 25 to 50 years.

(2) Machinery and equipment: 7 to 15 years.

(3) Miscellaneous equipment: 7 to 15 years.

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

(l) Technical cooperation fee and long-term prepaid rental expense

1. Technical cooperation fee and long-term prepaid rental expense

Technical cooperation fee and long-term prepaid rental expense are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

3. Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date that they are made available for use. The estimated useful lives for the current and comparative periods are as follows:

(1) Technical cooperation fee 5~15 years

(2) Long-term prepaid rental expense 50 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life are reviewed at least annually at each fiscal year-end. Any change thereof is accounted for as a change in an accounting estimate.

(m) Impairment – Non-financial assets

The Consolidated Company measures whether impairment occurred in non-financial assets (except for inventories, deferred income tax assets and employee benefits) at each reporting date, and estimates its recoverable amount. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Consolidated Company determines the recoverable amount for the asset's cash-generating units (CGUs).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such reduction is treated as an impairment loss, which is charged to profit or loss.

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

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(Continued)

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

(n) Treasury stock

Repurchased shares are recognized as treasury shares (a contra-equity account) based on its repurchase price (including all directly attributable costs), and net of tax. Gain on disposal of treasury shares is recognized under capital surplus – treasury shares transactions. Loss on disposal of treasury shares is offset against existing capital surplus arising from similar types of treasury shares transactions. If capital surplus is insufficient for offset, the deficiency is charged to retained earnings. The carrying value of treasury shares is calculated using the weighted average calculation of different types of repurchased shares.

If treasury shares are cancelled, capital surplus – share premiums and common stocks are debited proportionately. Gain on cancellation of treasury shares is recognized under existing capital surplus arising from similar types of treasury shares transactions. Loss on cancellation of treasury shares is offset against existing capital surplus arising from similar types of treasury shares transactions. If the capital surplus is insufficient for offset, then such loss is charged to retained earnings.

(o) Revenue recognition

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. International shipments transfer usually occurs upon loading the goods onto the relevant carrier at the port. Generally for such products the customer has no right of return. For domestic sales, transfers occur upon receipt by the customer.

(p) Employee benefits

1. Defined contribution plans

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

(Continued)

2. Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average vesting period until the benefits become vested. To the extent that the benefits vest immediately, pension cost is recognized immediately in profit or loss.

All actuarial gains and losses on January 1, 2012, the date of transition to IFRS endorsed by the FSC, were charged to retained earnings. Also, the Consolidated Company recognizes a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

(1) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and

(2) 10% of the fair value of any plan assets at that date.

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

(Continued)

3. Other long-term employee benefits

The Consolidated Company's net obligation in respect of long-term employee benefits other than pension plans is the estimated amount of the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods, and the fair value of any related assets is deducted from discounted present value of future benefit. The discount rate is the yield at the reporting date of government bonds that have maturity dates approximating the terms of the Consolidated Company's obligations. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

4. Termination benefits

Termination benefits are recognized as an expense when the Consolidated Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Consolidated Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then benefits payable are discounted to their present value.

5. Short-term employee benefits

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

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

(q) Share–based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period when employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for the differences between expected and actual outcomes.

(Continued)

For cash-settled awards (such as a share appreciation right), the company measures the fair value of the goods or services and recognizes expenses and liabilities during the period when employees can receive returns unconditionally. The Consolidated Company remeasures the fair value of the award at each reporting period date and on settlement, and any changes in fair value are recognized in personnel expenses under income or losses.

(r) Income taxes

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

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

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

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

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

3. the initial recognition of goodwill.

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

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

1. the Consolidated Company has a legal enforceable right to set off current tax assets against current tax liabilities; and

(Continued)

2. the deferred tax assets and the deferred liabilities relate to income taxes levied by the same taxation authority on either:

   (1) the same taxable entity; or

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

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

(s) Earnings per share

The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Consolidated Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Consolidated Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. The Consolidated Company's dilutive potential ordinary shares comprise employee share options.

(t) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may incur revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainly

The consolidated financial statements are prepared in conformity with the IFRS endorsed by the FSC, under which, management make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Information about assumptions and estimation uncertainties that have a possibility of resulting in a material adjustment within the next year included in note 6(11) "Employee Benefits".

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Description of the significant accounts

(1) Cash and Cash Equivalents

		January 1, 2012	December 31, 2012	December 31, 2013
Cash on hand	$	2,313	2,359	12,715
Cash in banks		6,768,365	10,832,810	15,848,618
Time deposits		13,643,363	9,383,540	7,151,097
Cash equivalents		7,916,226	5,123,109	1,534,943
Cash and cash equivalents	**$**	**28,330,267**	**25,341,818**	**24,547,373**

Please refer to note 6(18) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Consolidated Company.

(2) Financial Assets

(a) Financial assets consisted of the following:

		January 1, 2012	December 31, 2012	December 31, 2013
Available-for-sale financial assets－current:				
Stocks	$	36,331,958	34,772,966	40,873,974
Funds		4,011,743	3,721,605	2,289,023
	$	**40,343,701**	**38,494,571**	**43,162,997**
Available-for-sale financial assets－non-current:				
Stocks	$	-	-	9,292,514
Bonds and others		3,108,246	2,791,326	1,223,200
	$	**3,108,246**	**2,791,326**	**10,515,714**
Financial assets carried at cost－non-current:				
Stocks	**$**	**3,013,563**	**3,007,751**	**3,009,879**

Please refer to note 6(18) for information on the Consolidated Company's exposure to credit, currency, and interest rates risk relating to financial instruments.

Please refer to note 8 for the details of financial assets pledged as collateral as of January 1, 2012, December 31, 2012 and 2013.

The financial assets reported at cost are measured at cost since there is no quoted market price and the fair value cannot be reliably measured.

(Continued)

(b) Sensitivity analysis－equity price risk

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

	For the year ended December 31			
	2012		2013	
Security price on reporting date	Other comprehensive income (after tax)	Income (after tax)	Other comprehensive income (after tax)	Income (after tax)
increase1%	$ 347,729	-	501,664	-
decrease1%	$ (347,729)	-	(501,664)	-

(3) Notes receivable, accounts receivable and other receivables

	January 1, 2012	December 31, 2012	December 31, 2013
Notes receivable	$ 6,267,347	5,793,251	6,976,694
Accounts receivable	35,439,685	34,184,829	38,216,728
Other receivables	50,442,556	46,407,541	65,478,853
Overdue receivables	454,608	385,997	42,166
Allowance for doubtful receivables	(918,557)	(771,763)	(455,612)
Total	$ 91,685,639	85,999,855	110,258,829

Movements of the allowance for doubtful receivables were as follows:

	For the year ended December 31	
	2012	2013
Balance, beginning of year	$ 918,557	771,763
Reversal of impairment	(248,670)	(270,873)
Write-off	-	(69,213)
Effect of exchange rate changes	101,876	23,935
Balance, end of year	$ 771,763	455,612

The Consolidated Company estimates doubtful receivables and recognizes impairment allowance based on aging analysis, historical default rates and analysis of clients' financial situation.

The impairment allowance is used to record bad debt expense. While a relevant receivable is determined to be uncollectable, it is written off from the allowance account. None of the receivables of the Consolidated Company needed to be written off for the year ended December 31, 2012.

As of January 1, 2012, December 31, 2012 and 2013, notes receivable and accounts receivable which were overdue or under legal proceedings amounted to $454,608, $385,997, and $42,166, respectively. Such receivables were reclassified as overdue receivables under other assets and provided with a full impairment loss provision.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Consolidated Company signed without-recourse factoring and financing contracts with financial institutions. According to these contracts, the net accounts receivable that have matured but are still uncollected will be paid by the financial institutions, except for those affected by trade disputes. As of January 1, 2012, December 31, 2012 and 2013, the outstanding accounts receivable factoring transactions between the Company and the financial institutions were as follows:

		January 1, 2012		
	Factoring Purchaser	Factoring Balance	Prepaid Amount	Factoring Credit limit
Gold Circuit Electronics Co., Ltd.	E. Sun Bank	$ 145,356	-	700,000
First Hi-tec Enterprise Co., Ltd.	E. Sun Bank	21,059	-	45,000
WUS Printed Circuit Co., Ltd.	Ta Chong Bank	787	-	15,000
		$ 167,202		

		December 31, 2012		
	Factoring Purchaser	Factoring Balance	Prepaid Amount	Factoring Credit limit
Gold Circuit Electronics Co., Ltd.	E. Sun Bank	$ 50,534	-	700,000
First Hi-tec Enterprise Co., Ltd.	E. Sun Bank	23,828	-	45,000
WUS Printed Circuit Co., Ltd.	Ta Chong Bank	1,223	-	25,000
		$ 75,585		

		December 31, 2013		
	Factoring Purchaser	Factoring Balance	Prepaid Amount	Factoring Credit limit
Gold Circuit Electronics Co., Ltd.	E. Sun Bank	$ 70,001	-	200,000
First Hi-tec Enterprise Co., Ltd.	E. Sun Bank	15,497	-	45,000
WUS Printed Circuit Co., Ltd.	CTBC Bank	5,741	-	10,000
		$ 91,239		

(Continued)

(4) Inventories, net

As of January 1, 2012, December 31, 2012 and 2013, the components of inventories were as follows:

	January 1, 2012	December 31, 2012	December 31, 2013
Finished goods	$ 15,409,088	12,951,351	12,337,761
Work in process	10,347,929	10,676,955	10,978,716
Machinery and accessories in process	2,716,820	6,244,718	7,354,491
Raw materials	14,048,537	11,603,434	11,382,955
Supplies	541,162	514,666	530,459
Consigned-out raw materials	192,434	399,644	1,849,795
Consigned-out finished goods	907	7,734	39,393
Goods in transit	1,975,076	776,423	435,728
Others	-	-	310,982
	$ 45,231,953	43,174,925	45,220,280

For the year ended December 31, 2012 and 2013, cost of sales recognized in consolidated statement of comprehensive income amounted to $271,855,729 and $278,557,734, respectively.

As the net realizable value of inventories has increased because the circumstance that caused the inventory devaluation in prior period has improved, the Consolidated Company recognized gain from recovery in the value of inventories of $267,682 and $219,277 for the year ended December 31, 2012 and 2013, respectively, which were credited to cost of goods sold.

None of the inventory was pledged as collateral as of January 1, 2012, December 31, 2012 and 2013.

(5) Investments accounted for using equity method

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

	January 1, 2012	December 31, 2012	December 31, 2013
Associates	$ 90,659,525	84,873,263	109,864,275
Jointly controlled entities	5,165,253	4,784,280	4,668,400
	$ 95,824,778	89,657,543	114,532,675

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

a. Associates

The market prices and carrying value of investments in publicly traded stocks of associates were as follows:

	January 1, 2012	December 31, 2012	December 31, 2013
Fair value	$ 227,046,823	218,997,048	223,096,517
Book value	$ 62,194,946	50,480,322	61,713,510

For the year ended December 31, 2012 and 2013, the Consolidated Company's share of net income (loss) of associates were as follows:

	For the year ended December 31	
	2012	2013
The Consolidated Company's share of net income (loss) of associates	$ (11,132,081)	12,686,633

The financial information in respect of the Consolidated Company's associates was as follows (before adjustment to the Consolidated Company's proportionate share):

	January 1, 2012	December 31, 2012	December 31, 2013
Total assets	$ 737,065,911	743,893,348	746,789,314
Total liabilities	$ 387,516,056	407,729,544	379,527,959

	For the year ended December 31	
	2012	2013
Net revenue	$ 1,022,363,150	1,062,082,733
Net income (loss) for the period	$ (24,442,698)	46,711,556

(a) Aforementioned information of associates were derived from financial statements audited by auditors.

(b) The unrealized translation gain or loss arising from the translation of the financial statements of foreign subsidiaries, which was determined on exchange rates as of January 1, 2012, December 31, 2012 and 2013, was recognized in comprehensive income.

(Continued)

(c) The unrealized sales profits and unrealized gain on disposal of fixed assets from downstream transactions with investees under the equity method are treated as deductions from gross income and gain on disposal of fixed assets. The realized sales profits from downstream sales are added to gross income. Details of these transactions are disclosed in note 7.

(d) The Consolidated Company, which invested in "Formosa Automobile Corporation", an investee accounted for under the equity method, recognized gains of \$39,104 and \$33,806 from this investment for the year ended December 31, 2012 and 2013, respectively. As of January 1, 2012, December 31, 2012 and 2013, the Consolidated Company's cumulative loss from this investment had already exceeded the book value of the investment by \$217,807, \$178,703, and \$144,897, respectively.

The Consolidated Company, which invested in "Hwa Ya Environment Park Management & Consultant Corporation", an investee accounted for under the equity method, recognized gains of \$2,224 and \$1,151 from this investment for the year ended December 31, 2012 and 2013, respectively. As of January 1, 2012, December 31, 2012 and 2013, the Consolidated Company's cumulative loss from this investment had already exceeded the book value of the investment by \$1,520, \$0, and \$0, respectively.

As the Consolidated Company intends to support those investee companies, the investments in these investees were offset against related accounts receivable—related parties. As the balances of accounts receivable—related parties from "Formosa Automobile Corporation" and "Hwa Ya Environment Park Management & Consultant Corporation" were \$0 as of January 1, 2012, December 31, 2012 and 2013, such offset resulted in credit balances to the investments in these investees of \$219,327, \$178,703 and \$144,897, respectively, which were reclassified to non-current other liabilities.

b. Jointly controlled entities

The Consolidated Company and PPG Industries Corporation invested jointly in PFG Fiber Glass Corporation and PFG Fiber Glass (H.K.) Co., Ltd., the Consolidated Company and CV.SANTOSO invested jointly in PT. Indonesia Nan Ya Indah Plastics Corporation, the Consolidated Company and Kyowa Leather Cloth Co., Ltd. invested jointly in Nan Ya Kyowa Plastics Corporation, the Consolidated Company and Shankuan Industries Corporation (Hong Kong) invested jointly in Nan Ya Zhengzhou Plastics Corporation. As the Consolidated Company is unable to exercise full control over the operating policy, technology, selling policy and management of these joint venture entities which were dominated by another company, the Consolidated Company's investments in these investees were accounted for using equity method.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The financial information in respect of the Consolidated Company's jointly controlled entities was as follows (before adjustments to the Consolidated Company's proportionate share):

	January 1, 2012	December 31, 2012	December 31, 2013
Current assets	$ 5,263,790	4,287,685	4,664,386
Non-current assets	12,933,571	15,879,319	16,243,313
Current liabilities	5,472,101	5,057,252	6,743,037
Non-current liabilities	2,384,275	5,110,117	4,849,583

	For the year ended December 31	
	2012	2013
Net revenue (including non-operating income)	$ 10,584,933	10,501,779
Expenses (including non-operating expenses)	10,000,833	10,400,154

For the year ended December 31, 2012 and 2013, the Consolidated Company's share of net income of jointly controlled entities was as follows:

	For the year ended December 31	
	2012	2013
The Consolidated Company's share of net income of jointly controlled entities	$ 214,612	39,929

c. Collateral

Please refer to note 8 for investments accounted for using equity method pledged to banks or courts as collateral for loans and lawsuits as of January 1, 2012, December 31, 2012 and 2013.

(Continued)

(6) Property, Plant and Equipment

The cost, depreciation, and impairment of property, plant and equipment of the Consolidated Company for the year ended December 31, 2012 and 2013 were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Other facilities	Construction in progress	Total
Cost or deemed cost:							
Balance on January 1, 2012	$ 10,226,290	51,050,629	275,319,129	1,619,557	10,201,858	17,467,415	365,884,878
Additions	-	40,010	1,506,135	12,266	174,103	13,295,785	15,028,299
Reclassification	1,133	360,176	6,703,023	12,804	487,699	(6,361,313)	1,203,522
Disposals	(347,413)	(11,652)	(1,646,678)	(27,470)	(117,401)	(456,001)	(2,606,615)
Effect of exchange rate changes	(2,434)	(737,972)	(3,555,494)	(14,632)	(130,104)	(359,137)	(4,799,773)
Balance on December 31, 2012	$ 9,877,576	50,701,191	278,326,115	1,602,525	10,616,155	23,586,749	374,710,311
Balance on January 1, 2013	$ 9,877,576	50,747,857	278,508,181	1,604,596	10,623,565	23,586,749	374,948,524
Additions	-	475,092	2,567,564	16,420	53,289	6,645,020	9,757,385
Reclassification	139,137	149,603	3,813,911	5,815	270,175	(2,260,018)	2,118,623
Disposals	(116,790)	(2,416)	(1,463,865)	(49,471)	(110,058)	(326,390)	(2,068,990)
Effect of exchange rate changes	1,717	1,050,066	5,100,885	19,298	222,724	879,354	7,274,044
Balance on December 31, 2013	$ 9,901,640	52,420,202	288,526,676	1,596,658	11,059,695	28,524,715	392,029,586
Depreciation and impairment loss							
Balance on January 1, 2012	$ -	21,392,297	187,180,698	1,415,537	6,772,774	-	216,761,306
Depreciation for the period	-	1,837,235	12,662,103	50,746	677,954	-	15,228,038
Reclassification	-	-	(65,792)	17,160	15,229	-	(33,403)
Disposals	-	(4,171)	(1,869,711)	(51,953)	(141,667)	-	(2,067,502)
Effect of exchange rate changes	-	(269,897)	(2,088,460)	16,134	(48,664)	-	(2,387,887)
Reversal of impairment	-	-	(6)	-	-	-	-
Balance on December 31, 2012	$ -	22,958,464	195,818,832	1,447,624	7,275,626	-	227,500,546
Balance on January 1, 2013	$ -	22,914,410	196,129,963	1,419,825	7,274,561	-	227,738,759
Depreciation for the period	-	1,799,117	12,268,207	41,165	635,836	-	14,744,325
Reversal of impairment	-	-	(4,667)	-	-	-	(4,667)
Reclassification	-	-	(13,981)	-	13,879	-	(102)
Disposals	-	(1,954)	(1,284,914)	(48,479)	(107,920)	-	(1,443,267)
Effect of exchange rate changes	-	385,729	2,649,388	13,693	135,021	-	3,183,831
Balance on December 31, 2013	$ -	25,097,302	209,743,996	1,426,204	7,951,377	-	244,218,879
Carrying amounts：							
Balance on January 1, 2012	$ 10,226,290	29,658,332	88,138,431	204,020	3,429,084	17,467,415	149,123,572
Balance on December 31, 2012	$ 9,877,576	27,742,727	82,507,283	154,901	3,340,529	23,586,749	147,209,765
Balance on December 31, 2013	$ 9,901,640	27,322,900	78,782,680	170,454	3,108,318	28,524,715	147,810,707

a. Please refer to note 8 for the property, plant and equipment pledged to secure bank loans as of January 1, 2012 and December 31, 2012 and 2013.

b. For the year ended December 31, 2012 and 2013, the capitalized interest on borrowings for the purchase of the property, plant and equipment of the Consolidated Company amounted to $225,005 and $215,133, respectively. The capitalized interest rate ranged from 1.09% to 5.49% and 0.44% to 1.65% for the year ended December 31, 2012 and 2013, respectively.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Short-term notes and bills payable

		January 1, 2012	December 31, 2012	December 31, 2013
Short-term notes and bills payable	$	-	-	4,500,000
Discount on short-term notes and bills payable		-	-	(694)
Total	$	-	-	4,499,306
Interest rate		-	-	0.532%~0.602%

(8) Short-term borrowings

		January 1, 2012	December 31, 2012	December 31, 2013
Purchases loans	$	-	2,062	-
Unsecured short-term borrowings		12,450,111	9,323,077	14,337,560
Total	$	12,450,111	9,325,139	14,337,560
Interest rate		0.55%~3.067%	0.01%~2.319%	0.74%~3.92%

(9) Long-term debts

Long-term debts consisted of the following:

	January 1, 2012			
	Currency	Interest rate	Expiration	Amount
Secured long-term debts	TWD	1.1125%~1.5305%	101~105	$ 27,448,760
Secured long-term debts	USD	1.2060%	101	255,042
Unsecured long-term debts	TWD	0.6605%~1.4853%	102~105	22,651,743
Unsecured long-term debts	USD		103~104	537,419
Current portion	TWD			(6,946,104)
Total				$ 43,946,860

	December 31, 2012			
	Currency	Interest rate	Expiration	Amount
Secured long-term debts	TWD	1.3%~1.5695%	103~105	$ 27,244,076
Unsecured long-term debts	TWD	0.8205%~1.5600%	102~105	27,206,724
Unsecured long-term debts	USD	0.65%~1.411%	103~106	1,474,382
Current portion	TWD			(10,709,068)
Total				$ 45,216,114

(Continued)

	December 31, 2013			
	Currency	Interest rate	Expiration	Amount
Secured long-term debts	TWD	1.3%~1.5611%	103~105	$ 24,976,932
Unsecured secured long-term debts	TWD	1.0388%~1.5232%	103~106	16,400,000
Unsecured long-term debts	USD	0.6385%~2.30%	103~107	10,946,518
Current portion	TWD			(22,718,829)
Total				$ 29,604,621

Please refer to note 6(18) for information on the Consolidated Company's exposure to changes in interest rates and liquidation.

a. Pledged assets for bank loans

Refer to note 8 for information on the Consolidated Company's assets pledged to secure loans.

b. Secured debts

(i) In order to raise funds to finance the Sixth Naphtha Cracker project and the construction of related factories, the Company signed a syndicated long-term mortgage loan agreement with Mega International Commercial Bank (formerly Chiao Tung Bank), the lead bank of the syndicated loan, and other banks on April 28, 1994. The key terms and conditions of the loan agreement are as follows:

(a) Credit line: NT$23,822,000 (including NT$18,122,000 and US$177,000 thousand).

(b) Interest rate: as settled with each participating bank.

(c) Period: 10 to 15 years.

(d) Collateral: the acquired land, buildings and machinery financed by the loan.

(e) The financial covenants under this loan agreement include the requirement to maintain certain financial ratios based on the audited financial reports. Failure to comply with these financial covenants may cause the syndicated banks to terminate the credit line or declare the unpaid principal and interest under the loan agreement to be immediately due and payable. These financial ratios are as follows:

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

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

As of December 31, 2013, NT$18,122,000 and US$177,000 thousand of the credit line had been drawn.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(10) Unsecured bonds payable

	January 1, 2012	December 31, 2012	December 31, 2013
Domestic unsecured nonconvertible corporate bonds	$ 61,000,000	65,500,000	74,000,000
Foreign unsecured nonconvertible corporate bonds	12,158,640	11,654,448	17,370,803
Costs of issuing bonds	(147,201)	(128,329)	(168,821)
Current portion	(7,493,206)	(17,486,256)	(17,987,255)
Total	$ 65,518,233	59,539,863	73,214,727

The terms of domestic corporate bonds as of December 31, 2013 are as follows:

	The forth domestic unsecured nonconvertible corporate bond in 2008	The first domestic unsecured nonconvertible corporate bond in 2009	The second domestic unsecured nonconvertible corporate bond in 2009	The third domestic unsecured nonconvertible corporate bond in 2009	The first domestic unsecured nonconvertible corporate bond in 2010	The second domestic unsecured nonconvertible corporate bond in 2010	The third domestic unsecured nonconvertible corporate bond in 2010
Issued amount	NT$ 2,500,000	NT$ 2,500,000	NT$ 2,600,000	NT$ 2,400,000	NT$ 6,000,000	NT$ 4,000,000	NT$ 6,000,000
Balance, end of year	2,499,574	2,498,511	2,598,230	2,397,749	5,995,414	3,996,572	5,994,395
Current portion	2,499,574	2,498,511	2,598,230	2,397,749	2,997,707	1,998,286	2,997,198
Issuance date	February 26, 2009	August 7, 2009	September 10, 2009	November 30, 2009	June 25, 2010	August 30, 2010	November 12, 2010
Issuance period	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Coupon rate	1.88%	1.84%	1.77%	1.49%	1.56%	1.56%	1.27%
Interest payment date	February 26	August 7	September 10	November 30	June 25	August 30	November 12
Repayment method	Payable in 2 annual installments in 2013 and 2014 of 50% and 50%, respectively.	Payable in 2 annual installments in 2013 and 2014 of 50% and 50%, respectively.	Payable in 2 annual installments in 2013 and 2014 of 50% and 50%, respectively.	Payable in 2 annual installments in 2013 and 2014 of 50% and 50%, respectively.	Payable in 2 annual installments in 2014 and 2015 of 50% and 50%, respectively.	Payable in 2 annual installments in 2014 and 2015 of 50% and 50%, respectively.	Payable in 2 annual installments in 2014 and 2015 of 50% and 50%, respectively.

	The first domestic unsecured nonconvertible corporate bond in 2011	The second domestic unsecured nonconvertible corporate bond in 2011	The first domestic unsecured nonconvertible corporate bond in 2012	The second domestic unsecured nonconvertible corporate bond in 2012	The third domestic unsecured nonconvertible corporate bond in 2012	The first domestic unsecured nonconvertible corporate bond in 2013	The second domestic unsecured nonconvertible corporate bond in 2013
Issued amount	NT$ 6,000,000	NT$ 4,000,000	NT$ 6,800,000	NT$ 5,200,000	NT$ 6,000,000	NT$ 9,600,000	NT$ 10,400,000
Balance, end of year	5,992,363	3,994,172	6,787,631	5,189,709	5,986,830	9,577,779	10,374,073
Current portion	-	-	-	-	-	-	-
Issuance date	June 27, 2011	November 7, 2011	July 4, 2012	September 7, 2012	February 25, 2013	August 5, 2013	December 18, 2013
Issuance period	5 years	5 years	NT$ 5,500,000 for 5 years and NT$ 1,300,000 for 7 years	NT$ 2,400,000 for 5 years and NT$ 2,800,000 for 7 years	NT$ 2,400,000 for 7 years and NT$ 3,600,000 for 10 years	NT$ 3,100,000 for 4 years, NT$ 4,600,000 for 5 years and NT$ 1,900,000 for 7 years	NT$ 6,200,000 for 10 years and NT$ 4,200,000 for 12 years
Coupon rate	1.43%	1.35%	1.36% and 1.45%	1.25% and 1.37%	1.36% and 1.5%	1.4%, 1.45% and 1.55%	1.98% and 2.08%
Interest payment date	June 27	November 7	July 4	September 7	February 25	August 5	December 18
Repayment method	Payable in 2 annual installments in 2015 and 2016 of 50% and 50%, respectively.	Payable in 2 annual installments in 2015 and 2016 of 50% and 50%, respectively.	Payable in 2 installments in 2016~2017 and 2018~2019 of 50% and 50%, respectively.	Payable in 2 installments in 2016~2017 and 2018~2019 of 50% and 50%, respectively.	Payable in 2 installments in 2018~2019 and 2021~2022 of 50% and 50%, respectively.	Payable in 3 installments in 2016~2017, 2017~2018 and 2019~2020 of 50% and 50%, respectively.	Payable in 2 installments in 2022~2023 and 2024~2025 of 50% and 50%, respectively.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The details of Nan Ya Plastics (Hong Kong) Co., Ltd's overseas corporate bond are as follows:

	For the year ended December 31	
	2012	**2013**
Issued amount	USD$ 400,000 thousand	USD$ 180,000 thousand
Issuance date	2010.10.26	2013.8.5
Issuance period	5 years	5 years
Coupon rate	3 month LIBOR+0.8%	3 month LIBOR+1.1%
Interest payment date	January 26, April 26, July 26, and November 26	February 5, May 5, August 5, and November 5
Bondholders with a put option	The bondholders bear no right to request the Company to redeem the bond.	The bondholders bear no right to request the Company to redeem the bond.
Issuer with a redemption option	The bond issuer bears the right to request the holders to redeem all outstanding bonds if the issuer needs to pay extra tax due to change in laws and regulations.	The bond issuer bears the right to request the holders to redeem all outstanding bonds if the issuer needs to pay extra tax due to change in laws and regulations.

(11) Employee Benefits

a. Defined benefit plan

The amounts arising from the defined benefit obligation of the Consolidated Company were as follows:

	January 1, 2012	December 31, 2012	December 31, 2013
Present value of defined benefit obligation	$ 25,590,889	26,465,910	26,222,064
Fair value of plan assets	789,361	831,218	856,413
Funded status	24,801,528	25,634,699	25,365,651
Unrecognized actuarial gains and losses	-	(476,692)	(547,600)
Accrued pension liability	**$ 24,801,528**	**25,158,007**	**24,818,051**

Some entities of the Consolidated Company have established an employee defined benefit retirement plan covering full-time employees. Under this plan, contributions are made to an independent fund that is deposited with Bank of Taiwan. Employees are eligible for retirement and payments of retirement benefits are based on years of service and the average salary for the last six months before the employee's retirement according to the Labor Standards Law.

(i) Composition of plan assets

The Labor Pension Fund Supervisory Committee manages the Consolidated Company's pension fund which is being funded according to the Labor Standards Law. Under the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, this fund is required to distribute minimum income but such minimum income shall not be less than the interest income derived from two-year time deposit with the local banks.

(Continued)

As of December 31, 2013, the Consolidated Company's pension fund with Bank of Taiwan amounted to $744,144. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

(ii) Movements in the present value of the defined benefit obligation

Movements in the present value of the defined benefit obligation were as follows:

	For the year ended December 31	
	2012	2013
Balance, beginning of year	$ 25,590,889	26,465,910
Benefits paid from plan assets	(511,805)	(1,193,892)
Current service cost and interest cost	898,261	846,979
Increase from transfer of related party employees	7,730	33,678
Actuarial loss	484,718	66,354
Effect of exchange rate changes	(3,883)	3,035
Balance, end of year	$ 26,465,910	26,222,064

(iii) Movements in the fair value of the plan assets

Movements in the fair value of the plan assets were as follows:

	For the year ended December 31	
	2012	2013
Balance, beginning of year	$ 789,361	831,218
Contributions from employer	353,597	352,843
Benefits paid	(328,001)	(349,269)
Expected return on plan assets	16,242	17,135
Actuarial gain	3,370	1,750
Effect of exchange rate changes	(3,351)	2,736
Balance, end of year	$ 831,218	856,413

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(iv)Pension costs recognized in profit or loss

The pension costs of the defined benefit plans recognized in profit or loss were as follows:

	For the year ended December 31	
	2012	2013
Current service cost	$ 424,717	409,512
Interest cost	473,544	437,467
Past service cost	234	207
Expected return on plan assets	(16,242)	(17,135)
	$ 882,253	830,051
Cost of sales	$ 636,447	633,710
Selling expenses	33,232	31,683
Administrative expenses	212,574	164,658
	$ 882,253	830,051
Actual return on plan assets	$ 19,612	18,885

(v) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	For the year ended December 31	
	2012	2013
Discount rate on December 31	1.65%~4.75%	1.90%~5.50%
Expected rate of return on plan assets on January 1	1.65%~4.75%	1.65%~4.75%
Rate of future salary increase	2.50%~3.50%	2.50%~3.50%

(vi)Historical information of experience adjustments

	January 1, 2012	December 31, 2012	December 31, 2013
Present value of defined benefit obligation	$ 25,590,889	26,465,910	26,222,064
Fair value of plan assets	(789,361)	(831,218)	(856,413)
Funded status	$ 24,801,528	25,634,692	25,365,651
Experience adjustments arising on the present value of defined benefit plans	$ -	484,507	54,345
Experience adjustments arising on the fair value of the plan assets	$ -	11,838	8,332

The Consolidated Company expects to make contributions of $354,943 to the defined benefit plans in the next year starting from December 31, 2013.

(Continued)

(vii) In calculating the present value of the defined benefit plan, the Consolidated Company's management exercised judgment and made some estimates to determine relevant actuarial assumptions, such as employee turnover and future salary adjustments. Any change in the actuarial assumption may significantly affect the amount of defined benefit obligation.

b. Defined contribution plan

The plan under the Labor Pension Act (the"Act") is deemed a defined contribution plan. Pursuant to the Act, Nan Ya PCB Corp., Wen Fung Industrial Corp., Nan Chung Petrochemical Corp., and Wenling Technology Corp. have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

Nan Ya Plastics Corporation America and Nan Ya PCB (U.S.A.) Corporation adopt a Defined Contribution Plan and periodically provide contributions thereon according to local law. Those contributions are recognized as an expense on an accrual basis.

Subsidiaries in China are governed by China laws and regulation. Based on China laws and regulation, those companies contribute for employees' pension benefits at rates ranging from 6% to 20% of salary every month and remit those contributions to the related authority.

The Consolidated Company's pension costs under the defined contribution pension plan amounted to $859,726 and $939,828 for the year ended December 31, 2012 and 2013, respectively.

(12) Income Tax

a. Income tax expense

The details of income tax expense for the year ended December 31, 2012 and 2013 were as follows:

	For the year ended December 31	
	2012	**2013**
Current income tax expense		
Current tax expense recognized in the current year	$ 4,080,186	4,429,995
Income tax adjustments on prior years	30,433	168,636
Deferred tax expense (benefit)		
The origination and reversal of temporary differences	(2,147,351)	1,295,132
Total income tax expense	**$ 1,963,268**	**5,893,763**

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The amount of income tax recognized in other comprehensive income for the year ended December 31, 2012 and 2013 was as follows:

	For the year ended December 31	
	2012	2013
Exchange differences on translation of foreign financial statements	$ (138,962)	106,376

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the year ended December 31	
	2012	2013
Income before tax	$ 5,602,751	30,957,463
Income tax expense at the statutory rate	$ 3,192,884	7,226,088
Effect of difference in income tax rate between foreign investee and the Company	(436,166)	1,306,582
Tax-exempt dividend income	(341,389)	(116,197)
Tax-exempt income	(301,352)	(71,618)
Unrecognized deferred assets of tax losses	-	171,222
Unrecognized temporary differences	(8,126)	(10,266)
Income tax expense arising from investment income of jointly controlled entities	12,813	12,335
Investment income recognized under equity method	1,796,356	(2,163,371)
Investment tax credits	(2,413,602)	(725,987)
Differences between estimated and actual income tax and income tax adjustments on prior years	30,445	168,801
10% surtax on undistributed earnings	436,680	65,351
Stock dividend from foreign investee	-	43,711
Other income tax adjustments	(5,275)	(12,888)
Total	$ (1,963,268)	(5,893,763)

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b. Deferred tax assets and liabilities

(i) Unrecognized deferred tax assets

The amount of unrecognized deferred tax assets was as follows:

	January 1, 2012	December 31, 2012	December 31, 2013
Tax losses	$ -	-	148,648

The Consolidated Company unrecognized tax losses as deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of that deferred tax assets to be utilized.

As of December 31, 2013, operating loss carryforward of the Consolidated Company consist of the following:

Occurrence year	Remaining creditable amount	Expiry year
2009	$ 104,840,896	2019
2012	39,723,559	2022
2013	18,503,835	2023
	$ 163,068,290	

(ii) Recognized deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

Deferred tax liabilities:

	Foreign investment income recognized under equity method	Investment income from foreign jointly controlled entities	Others	Total
Balance on January 1, 2012	$ 4,725,882	137,892	1,460,509	6,324,283
Recognized in profit or loss	(67,455)	12,813	(817,604)	(872,246)
Balance on December 31, 2012	$ 4,658,427	150,705	642,905	5,452,037
Balance on January 1, 2013	$ 4,658,427	15,705	642,905	5,452,037
Recognized in profit or loss	1,321,712	12,335	(214,892)	1,119,155
Recognized in comprehensive income	-	-	41,471	41,471
Balance on December 31, 2013	$ 5,980,139	163,040	469,484	6,612,663

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Deferred tax assets:

	Investment tax credits	Pension	Idle capacity	Others	Total
Balance on January 1, 2012	$ -	4,203,408	59,102	1,038,099	5,300,609
Recognized in profit or loss	1,146,604	60,393	39,280	28,828	1,275,105
Recognized in comprehensive income	-	-	-	190,431	190,431
Balance on December 31, 2012	$ 1,146,604	4,263,801	98,382	1,257,358	6,766,145
Balance on January 1, 2013	$ 1,146,604	4,263,801	98,382	1,257,358	6,766,145
Recognized in profit or loss	193,855	(53,651)	(20,524)	(297,006)	(177,326)
Recognized in comprehensive income	-	-	-	(157,845)	(157,845)
Balance on December 31, 2013	$ 1,340,459	4,210,150	77,858	802,507	6,430,974

(iii) Income tax examination

The ROC tax authorities have examined the income tax returns of the Company and Nan Chung Petrochemical Corporation through 2010, and that of Nan Ya PCB Corporation, Formosa Plastics Group Investment Corporation, Wen Fung Industrial Corporation and Wenling Technology Corp. through 2011.

(iv) Integrated income tax information

	January 1, 2012	December 31, 2012	December 31, 2013
Earnings generated prior to December 31, 1997	$ 3,123,574	3,123,574	3,123,574
Earnings generated after December 31, 1997	30,008,084	11,136,021	26,603,193
	$ 33,131,658	14,259,595	29,726,767
Balance of the Imputation Credit Account	$ 215,018	459,079	1,074,431

	2012(actual)	2013 (estimated)
Creditable ratio for distribution	24.30%	8.25%

The aforementioned integrated income tax has been calculated under the Rule No.10204562810 issued on October 17, 2013 by the Ministry of Finance.

(Continued)

(13) Equity

As of January 1, 2012, December 31, 2012 and 2013, the Company's government registered total authorized capital and issued capital stock amounted to $78,522,986, $78,522,986, and $79,308,216, divided into 7,852,299 thousand, 7,852,299 thousand, and 7,930,822 thousand shares of stock with $10 par value per share, respectively.

a. Capital stock

On June 24, 2013, the stockholders adopted a resolution to increase the capital to $79,308,216 and transfer unappropriated retained earnings of $785,230 for issuance of new common stock. The capital increase was approved by the FSC under the Rule No.1020028386 on July 19, 2013, and the date of record for the capital increase was August 13, 2013.

b. Capital surplus

The components of capital surplus as of January 1, 2012, December 31, 2012 and 2013 were as follows:

	January 1, 2012	December 31, 2012	December 31, 2013
Paid-in capital derived from conversion of corporate bond to common stock in excess of par value	$ 8,997,136	8,997,136	8,997,136
Gains on acquisition of Taiwan Plasticizer Corporation	74,474	74,474	74,474
Others	13,346,848	12,908,564	12,846,108
Total	$ 22,418,458	21,980,174	21,917,718

According to the amended ROC Company Law in January 2012, realized capital surplus can be transferred to common stock or distributed as cash dividends after covering accumulated deficit, if any. Realized capital surplus includes the additional paid-in capital from issuance of common stock in excess of the common stock's par value and donation from others. The Company's paid-in capital in excess of par value is transferrable to common stock annually but shall not exceed 10% of total issued and outstanding common stock according to Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

(Continued)

c. Retained earnings

(i) Legal reserve

Following the amendment of the ROC Company Act as announced on January 1, 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. If the Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, capitalize the amount of its reserve that exceeds 25% of share capital by issuing new shares and distributing stock dividend or distributing cash dividend.

(ii) Special reserve

As the Company opted to avail of the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRSs endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gains) of $6,277,052, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No. 1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, these special reserves can be reverted to distributable earnings proportionately, however, the amount appropriated exceeds the increase in retained earnings arising from the adoption of IFRSs, and only $6,243,060 is appropriated. The carrying amount of special reserve amounted to $6,241,893 as of December 31, 2013.

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

(iii) Earnings distribution

According to the rules of the Company's articles and Company Act, the Company's annual net profit, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remainder plus the undistributed earnings of the previous years are distributed or left undistributed for business purposes according to the resolution of the stockholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the Annual Stockholders' Meeting. The Company also adopts a dividend distribution policy, under which, net earnings after deducting the legal reserve and special reserve may first be distributed by way of cash dividends which shall be equal to at least fifty percent (50%) of the Company's total dividend distribution every year. The capitalization of earnings and capital surplus shall not exceed fifty percent of the total dividends. Thereafter, 0.1% to 1% of the remaining earnings, if any, are appropriated as bonus to employees, and is recognized as the expenses in the year earnings are incurred.

(Continued)

Based on the resolutions approved by stockholders during their meetings on June 21, 2012, and June 24, 2013, the Company's stockholders approved the distribution of the Company's earnings in 2011 and 2012 as follows:

		2011	2012
Dividends per share:			
Cash dividends	$	2.10	0.30
Stock dividends		-	0.10
	$	2.10	0.40
Bonus to employees－cash	$	39,830	13,644
Remuneration to directors and supervisors	$	-	-

The aforementioned earnings distributions did not differ from those proposed by the board of directors and those estimated and accrued amount in the financial statements in 2011 and 2012. The related information can be obtained from the Market Observation Post System website of the Taiwan Stock Exchange.

The distribution in cash of the directors' and supervisors' remuneration and employees' bonuses of the Company is given priority. Pursuant to the Company Act and the Company's articles of incorporation, directors' and supervisors' remuneration of the Company amounted to $0 for the year ended December 31, 2012 and 2013; employees' bonuses of the Company amounted to $13,644 and $16,917 for the year ended December 31, 2012 and 2013, respectively.

d. Treasury stock

For the year ended December 31, 2012 and 2013, the movements of treasury stock were as follows:

Unit: Shares of common stock

Items	Number of shares on January 1, 2012	Increase	Decrease	Number of shares on December 31, 2012
Stock of the Company held by subsidiaries	183,235	-	-	183,235

Items	Number of shares on January 1, 2013	Increase	Decrease	Number of shares on December 31, 2013
Stock of the Company held by subsidiaries	183,235	1,832	-	185,067

As the Company owned 51.19% of the shares of Wen Fung Industrial Co., Ltd., which owned 185,067 shares of the Company's common stock with average book value of $21 per share, the Company recognized these shares as treasury stock based on the average book value. As of January 1, 2012, December 31, 2012 and 2013, these treasury shares of stock with market price of $60.10, $56 and $68.90 per share, respectively, were not sold.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Effective January 1, 2002, pursuant to ROC SFC regulations, the Company's common stock held by a subsidiary is recognized as treasury stock. Accordingly, the Company appropriates from retained earnings a special reserve at the balance sheet date equal to the excess amount of book value over the market value of this treasury stock multiplied by the percentage of the Company's shareholding in said subsidiary. This special reserve is reversed to retained earnings upon the recovery of market price.

e. Other equity

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedge	Others
Balance, January 1, 2012	$	-	30,169,703	(47,241)	-
Exchange differences on translation of foreign financial statements, net of tax：					
－the Consolidated Comapny		(2,997,565)	-	-	-
－Associates		(608,005)	-	-	-
Unrealized gains (losses) on available-for-sale financial assets：					
－the Consolidated Comapny		-	(1,174,761)	-	-
－Associates		-	7,563	34,995	-
Other equities		-	-	-	(28,128)
Balance, December 31, 2012	**$**	**(3,605,570)**	**29,002,505**	**(12,246)**	**(28,128)**
Balance, January 1, 2013	$	(3,605,570)	(29,002,505)	(12,246)	(28,128)
Exchange differences on translation of foreign financial statements, net of tax：					
－the Consolidated Company		4,524,639	-	-	-
－Associates		604,305	-	-	-
Unrealized gains (losses) on available-for-sale financial assets：					
－the Consolidated Comapny		-	10,266,627	-	-
－Associates		-	2,357,338	13,962	-
Other equities		-	-	-	11,245
Balance, December 31, 2013	**$**	**1,523,374**	**41,626,470**	**1,716**	**(16,883)**

(14) Share-based payment transactions

The Consolidated Company was authorized to issue 9,912 units and 1,588 units of employee stock options on June 23, 2009 and March 25, 2010, respectively, and each option entitles the holder to subscribe for one thousand common shares of the Company at the exercise price of $89 and $124.5, respectively. The Company transferred capital surplus to share capital on August 5, 2011, and adjusted the exercise price to NT$75.4 and NT$116. The Company distributed cash dividend on July 23, 2012, and adjusted the exercise price to NT$72.2 and NT$111.1, respectively. The grant was limited to formal employees of Na Ya PCB Corporation. The options are exercisable at certain percentages after the second anniversary from the grant date, with 50%, 75%, and 100% of these stock options vested after the second, third, and fourth anniversary dates, respectively, and the options granted are valid for 8 years.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(i) Parameter of the measurement of the fair value on grant dates

The Consolidated Company utilized the Black-Scholes option pricing model to value the stock options granted, and the main inputs to the valuation model were as follows:

	The 1st batch 2009 of employee stock options	The 2nd batch 2010 of employee stock options
Dividend rate	-	-
Expected price volatility	42.89%	39.77%
Risk-free interest rate	1.0102%	0.9584%
Expected valid period (years)	5.375	5.375
Projected turnover rate	13.01%	22.48%

(ii) Related information of employee stock option plans

The details of these employee stock option plans for the year ended December 31, 2012 and 2013 were as follows:

	For the year ended December 31			
	2012		2013	
Employee stock option plans	Number of options (Units)	Weighted-average exercise price	Number of options (Units)	Weighted-average exercise price
Outstanding at January 1, 2012 and 2013	8,363	$ 83.11	8,362	79.59
Options exercised	(1)	75.40	-	-
Outstanding at December 31, 2012 and 2013	8,362	79.59	8,362	79.59
Options exercisable, end of period	5,090		7,965	
Weighted average fair value of the options granted(NT$)	-		-	

As of December 31, 2012 and 2013, the details of the Consolidated Company's outstanding stock options accounted for as a compensatory plan were as follows:

	2012.12.31				
	Options outstanding			Options exercisable	
Range of exercise prices (NT$)	Number of options	Remaining period(years)	Exercise price (NT$)	Number of options	Exercise price (NT$)
$ 72.2	6,774	4.48	72.2	4,296	72.2
$ 111.1	1,588	5.24	111.1	794	111.1

	2013.12.31				
	Options outstanding			Options exercisable	
Range of exercise prices (NT$)	Number of options	Remaining period(years)	Exercise price (NT$)	Number of options	Exercise price (NT$)
$ 72.2	6,774	3.48	72.2	6,774	72.2
$ 111.1	1,588	4.24	111.1	1,191	111.1

(Continued)

(iii) Employee expense and liabilities

The details of the Consolidated Company's expenses related to stock options for 2012 and 2013 were as follows:

	2012	2013
Expense generated by employee stock options	$ 2,555	64,998

(15) Earnings Per Share

The basic earnings per share for the year ended December 31, 2012 and 2013 were calculated on profit attributable to ordinary shareholders of the Company of $4,269,200 and $25,271,588, respectively, and a weighted average number of outstanding of 7,930,727 thousand ordinary shares, as follows:

a. Profit attributable to ordinary shareholders

	For the year ended December 31	
	2012	2013
	Continuing operating unit	Continuing operating unit
Profit attributable to ordinary shareholders	$ 4,269,200	25,271,588

b. Weighted average number of outstanding ordinary shares

	For the year ended December 31	
	2012	2013
Balance, January 1	$ 7,852,204	7,852,204
Effect of stock dividend	78,523	78,523
Balance, December 31	$ 7,930,727	7,930,727

(16) Revenue

For the year ended December 31, 2012 and 2013, the components of revenue are as follows:

	Continuing operating unit	
	For the year ended December 31	
	2012	2013
Sale of goods	$ 295,976,376	306,461,826
Service revenues	133,995	192,637
Others	4,600,126	4,350,826
	$ 300,710,497	311,005,289

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(17) Results from Non-operating Activities

a. Other income

For the year ended December 31, 2012 and 2013, the components of other income were as follows:

	For the year ended December 31	
	2012	2013
Interest income	$ 2,426,522	1,524,253
Dividend income	2,111,985	716,641
Other income	1,787,721	1,731,892
	$ 6,326,228	3,972,786

b. Other gains and losses

For the year ended December 31, 2012 and 2013, the components of other gains and losses were as follows:

	For the year ended December 31	
	2012	2013
Foreign exchange gain (loss)	$ (1,003,036)	1,523,622
Gain on disposal of investments		
Gain on disposal of investments accounted for under equity method	949,094	-
Gain on disposal of available-for-sale financial assets	11,850	20,055
Gain on disposal of property, plant and equipment	762,426	374,930
Reversal of impairment of property, plant and equipment	6	4,667
Gain on valuation of financial instruments	32,644	28,560
Others	(831,971)	(305,162)
	$ (78,987)	1,646,672

c. Finance costs

For the year ended December 31, 2012 and 2013, the components of finance costs were as follows:

	For the year ended December 31	
	2012	2013
Interest expense	$ 2,599,085	2,415,833
Capitalized interest	(225,005)	(215,133)
	$ 2,374,080	2,200,700

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(18) Financial Instruments

a. Categories of financial instruments

(i) Financial assets

	January 1, 2012	December 31, 2012	December 31, 2013
Financial assets at fair value through profit or loss	$ 9,860	-	-
Available-for-sale financial assets	43,451,947	41,285,897	53,678,711
Loans and receivables			
Cash and cash equivalents	28,330,267	25,341,818	24,547,373
Notes receivable, accounts receivable and other receivables	91,685,639	85,999,855	110,258,829
Subtotal	120,015,906	111,341,673	134,806,202
Total	**$ 163,477,713**	**152,627,570**	**188,484,913**

(ii) Financial liabilities

	January 1, 2012	December 31, 2012	December 31, 2013
Financial liabilities at fair value through profit or loss	$ 71,064	28,560	-
Financial liabilities measured at amortized cost			
Short-term borrowings	12,450,111	9,325,139	14,337,560
Short-term notes and bills payable	-	-	4,499,306
Payables	18,615,585	18,740,186	18,561,230
Bonds payable	73,011,439	77,026,119	91,201,982
Long-term debts	50,892,964	55,925,182	52,323,450
Subtotal	154,970,099	161,016,626	180,923,528
Total	**$ 155,041,163**	**161,045,186**	**180,923,528**

b. Credit Risk

(i) Exposure to credit risk

The Consolidated Company is exposed to credit risk primarily from cash and cash equivalents, deposits, and trade receivables.

(ii) Concentration of credit risk

The Consolidated Company has considerable trade receivables outstanding with its customers worldwide, so the Consolidated Company believes the concentration of credit risk is insignificant. Also, the Consolidated Company mitigates its exposure by evaluating the customers' financial situation regularly.

(Continued)

(iii) Impairment loss

The aging analysis of loans and receivables on the reporting date is as follows:

	January 1, 2012		December 31, 2012		December 31, 2013	
	Total amount	**Impairment**	**Total amount**	**Impairment**	**Total amount**	**Impairment**
Not past due	$ 41,029,224	-	39,523,138	-	43,990,586	-
Past due	1,132,416	918,557	840,939	771,763	1,245,002	455,612
	$ 42,161,640	918,557	40,364,077	771,763	45,235,588	455,612

The Consolidated Company believes that no impairment allowance is necessary for aforementioned accounts receivable which are overdue with no allowance recognized, because no significant change happens on the credit quality of these accounts receivable, and the receivables are still evaluated to be collectible.

c. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
January 1, 2012							
Non-derivative financial liabilities							
Notes and accounts payable	$ 7,814,009	7,814,009	7,814,009	-	-	-	-
Payables to related parties	10,801,576	10,801,576	10,801,576	-	-	-	-
Short-term borrowings	12,450,111	13,938,846	9,185,656	4,753,190	-	-	-
Long-term debts	50,892,964	52,331,211	1,463,500	6,127,882	13,472,910	31,266,919	-
Related party loans	21,358	21,611	21,611	-	-	-	-
Bonds payable (TWD)	60,906,390	63,905,275	2,905,900	5,708,710	18,418,085	36,872,580	-
Bonds payable (USD)	12,105,049	12,714,314	79,324	77,686	134,999	12,423,105	-
	$ 154,991,457	161,526,842	32,271,576	16,667,468	32,025,994	80,562,604	-
December 31, 2012							
Non-derivative financial liabilities							
Notes and accounts payable	$ 7,749,815	7,749,815	7,749,815	-	-	-	-
Payables to related parties	10,990,371	10,990,371	10,990,371	-	-	-	-
Short-term borrowings	9,325,139	9,396,391	8,216,530	1,179,861	-	-	-
Long-term debts	55,925,182	57,098,563	2,111,266	10,289,025	33,139,511	11,558,761	-
Related party loans	14,000	14,228	14,228	-	-	-	-
Bonds payable (TWD)	65,409,639	68,134,130	5,339,650	13,240,445	18,708,790	26,659,430	4,185,815
Bonds payable (USD)	11,616,480	12,036,580	65,259	63,375	126,749	11,781,197	-
	$ 161,030,626	165,420,078	34,487,119	24,772,706	51,975,050	49,999,388	4,185,815
December 31, 2013							
Non-derivative financial liabilities							
Short-term notes and bills payable	$ 4,499,306	4,500,694	4,500,694	-	-	-	-
Notes and accounts payable	7,104,310	7,104,310	7,104,310	-	-	-	-
Payables to related parties	11,456,920	11,456,920	11,456,920	-	-	-	-
Short-term borrowings	14,337,560	14,400,621	12,238,454	2,162,167	-	-	-
Long-term debts	52,323,450	53,496,798	5,838,422	18,262,509	9,442,296	19,953,571	-
Related party loans	15,900	15,900	15,900	-	-	-	-
Bonds payable (TWD)	73,883,002	79,093,530	5,813,040	13,332,060	13,854,220	24,259,210	21,835,000
Bonds payable (USD)	17,318,980	17,972,464	99,733	99,733	12,179,329	5,593,669	-
	$ 180,939,428	188,041,237	47,067,473	33,856,469	35,475,845	49,806,450	21,835,000

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

(Continued)

d. Exchange rate risk

(i) Exposure to exchange rate risk

The Consolidated Company's financial assets and liabilities exposed to exchange rate risk were as follows:

	January 1, 2012		
	Foreign Currency	Exchange Rate	TWD
Financial assets			
Monetary items			
USD	$ 1,289,216	30.2900	39,050,353
JPY	166,887	0.3894	64,986
EUR	493	39.2180	19,334
HKD	79,160	3.8970	308,487
CNY	4,811,094	4.7934	23,061,498
Non-monetary items			
USD	43,489	30.2900	1,317,282
HKD	893,991	3.8970	3,483,883
CNY	41,962	4.7934	201,141
RUB	92,815,848	0.0034	315,574
VND	7,260,356,794	0.0014	10,164,500
Financial liabilities			
Monetary items			
USD	1,222,216	30.2900	37,020,923
JPY	843,155	0.3894	328,325
EUR	760	39.2180	29,806
HKD	16,209	3.8970	63,166
CNY	974,508	4.7934	4,671,207

	December 31, 2012		
	Foreign Currency	Exchange Rate	TWD
Financial assets			
Monetary items			
USD	$ 1,211,015	29.1360	35,284,133
JPY	38,145	0.3358	12,809
EUR	946	38.4790	36,401
HKD	108,853	3.7354	406,609
CNY	6,015,882	4.6356	27,887,223
Non-monetary items			
USD	78,202	29.1360	2,278,493
HKD	909,304	3.7354	3,396,614
CNY	40,678	4.6356	188,567
RUB	30,772,815	0.0089	273,878
VND	9,712,338,700	0.0014	13,597,274

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	December 31, 2012		
	Foreign Currency	**Exchange Rate**	**TWD**
Financial liabilities			
Monetary items			
USD	$ 1,306,619	29.1360	38,069,651
JPY	674,333	0.3358	226,441
EUR	670	38.4790	25,781
HKD	81,080	3.7354	302,866
CNY	795,355	4.6356	3,686,948

	December 31, 2013		
	Foreign Currency	**Exchange Rate**	**TWD**
Financial assets			
Monetary items			
USD	$ 1,408,167	29.9500	42,174,602
JPY	40,269	0.2846	11,461
EUR	258	41.2410	10,640
HKD	45,497	3.8397	174,695
CNY	7,398,267	4.9121	36,341,027
Non-monetary items			
USD	81,336	29.9500	2,436,013
HKD	922,978	3.8397	3,543,959
CNY	40,342	4.9121	198,164
RUB	30,772,815	0.0065	200,023
VND	16,068,963,635	0.0014	22,496,549
Financial liabilities			
Monetary items			
USD	1,521,693	29.9500	45,574,705
JPY	681,084	0.2846	193,837
EUR	1,413	41.2410	58,274
HKD	15,924	3.8397	61,143
CNY	576,822	4.9121	2,833,407

(Continued)

(ii) Sensitivity analysis

The Consolidated Company's exposure to exchange rate risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans and borrowings, accounts payable and other payables which are denominated in different foreign currencies. The overall effects to net income before tax for the year ended December 31, 2012 and 2013 assuming the TWD depreciated by 1% against the USD, EUR, CNY and JPY as of December 31, 2012 and 2013 were as follows:

	For the year ended December 31	
	2012	**2013**
Appreciation in value 1%	$ (213,356)	(299,797)
Depreciation in value 1%	213,356	299,797
	$ -	-

e. Interest rate analysis

The Consolidated Company's financial assets and liabilities exposed to interest rate risk are described in note 6(19).

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

An increase or decrease of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have increased or decreased net income by $9,390 and $9,781 for the year ended December 31, 2012 and 2013, respectively.

f. Fair value

(i) Fair value and carrying amount

Except for those listed below, the Consolidated Company considers the carrying amounts of its financial assets and financial liabilities measured at amortized cost as a reasonable approximation of fair value:

	January 1, 2012	
	Carrying amount	**Fair value**
Financial assets：		
Available-for-sale financial assets	$ 43,451,947	43,451,947
Financial assets at fair value through profit or loss	9,860	9,860

(Continued)

	January 1, 2012	
	Carrying amount	Fair value
Financial liabilities：		
Financial liabilities at fair value through profit or loss	$ 71,064	71,064

	December 31, 2012	
	Carrying amount	Fair value
Financial assets：		
Available-for-sale financial assets	$ 41,285,897	41,285,897
Financial liabilities：		
Financial liabilities at fair value through profit or loss	28,560	28,560

	December 31, 2013	
	Carrying amount	Fair value
Financial assets：		
Available-for-sale financial assets	$ 53,678,711	53,678,711

(ii) Valuation techniques and assumptions used in fair value determination

The fair value of financial assets and liabilities reported at fair value through profit or loss, and financial assets available for sale is based on quoted market prices. When quoted prices are unavailable, the fair value is determined by certain valuation techniques, using estimation and assumptions under existing market conditions which are obtainable by the Consolidated Company.

(iii) Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels of fair value have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
January 1, 2012				
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts	$ -	9,860	-	9,860
Available-for-sale financial assets				
Stock of listed companies	36,331,958	-	-	36,331,958
Domestic and foreign funds	4,011,743	-	-	4,011,743
Investments in bonds	-	-	3,108,246	3,108,246
	$ 40,343,701	9,860	3,108,246	43,461,807
Financial liabilities at fair value through profit or loss				
Interest rate swap contracts	$ -	(71,064)	-	(71,064)
December 31, 2012				
Available-for-sale financial assets				
Stock of listed companies	$ 34,772,966	-	-	34,772,966
Domestic and foreign funds	3,721,605	-	-	3,721,605
Investment in bonds	-	-	2,791,326	2,791,326
	$ 38,494,571	-	2,791,326	41,285,897
Financial liabilities at fair value through profit or loss				
Interest rate swap contracts	$ -	(28,560)	-	(28,560)
December 31, 2013				
Available-for-sale financial assets				
Stock of listed companies	$ 50,166,488	-	-	50,166,488
Domestic and foreign funds	2,289,023	-	-	2,289,023
Investment in bonds	-	-	1,223,200	1,223,200
	$ 52,455,511	-	1,223,200	53,678,711

There are no transfers between the fair value measurements for the year ended December 31, 2012 and 2013.

(19) Financial Risk Management

a. The Consolidated Company has the following exposure risks for holding certain financial instruments:

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk

Detailed information about the financial instruments has been disclosed in related notes to the consolidated financial statements.

(Continued)

b. Framework of risk management

The Consolidated Company's risk management policies are established to identify and analyze the risks faced by the Consolidated Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework, and is responsible for developing and monitoring the Consolidated Company's risk management policies.

c. Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

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

The credit risk exposure on bank deposits and other financial instruments are measured and monitored by the Consolidated Company's finance department. As the Consolidated Company's transactions are done with the banks and other external parties with good credit standing, management is not aware of any non compliance issues and is not expecting significant credit risk.

d. Liquidity risk

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

(Continued)

e. Market risk

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

(i) Exchange rate risk

The Consolidated Company's exposure to exchange rate risk is due to global transactions that are denominated in a currency other than the respective functional currencies of the Company, primarily the New Taiwan Dollars (TWD). The currencies used in these transactions are denominated in USD. The exchange rate risk mainly arises from future business transactions and recognized assets and liabilities. Part of the exchange rate risk arising from purchase and sales can be offset to achieve automatic hedge.

When the Consolidated Company has foreign currency needs, the Consolidated Company uses spot exchange contracts and forward exchange contracts if the exchange rate is advantageous to the Consolidated Company to manage the risk. If necessary, the Consolidated Company uses derivatives operated by prestigious international bank to manage its exposure to foreign currency exchange rate fluctuation risk, which monitor exchange rate risks and adherence to acceptable limits by the Consolidated Company.

(ii) Interest rate risk

The Consolidated Company's interest rate risk mainly arises from long-term loans with variable interest rates, which bears cash flow risk to the Consolidated Company. Part of the interest rate risk can be offset by cash and cash equivalent with variable interest rate held by the Consolidated Company.

The Consolidated Company manages interest rate risk by using derivatives, which monitor interest rate risk and adherence to acceptable limits.

(iii) Other market price risk

The Consolidated Company is exposed to fair value change risk due to available-for-sale financial assets measured at fair value.

(Continued)

(20) Capital Management

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

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

The Consolidated Company uses debt to capital ratio to manage its capital. The debt to capital ratio is calculated by dividing the net liabilities by the total capital. Net liabilities derive from deducting cash and cash equivalents from total liabilities. Total capital includes common stocks, capital surplus, retained earnings, other equity, treasury stock, non-controlling interests and net liabilities. The Consolidated Company's debt to capital ratio at the end of the reporting period was as follows:

	January 1, 2012	December 31, 2012	December 31, 2013
Total liabilities	$ 203,686,251	205,317,042	229,162,579
Less: cash and cash equivalents	(28,330,267)	(25,341,818)	(24,547,373)
Net liabilities	**$ 175,355,984**	**179,975,224**	**204,615,206**
Total equity	**$ 272,320,452**	**253,480,010**	**295,347,551**
Debt to capital ratio	**64.39%**	**71.00%**	**69.28%**

7. Related-party Transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Consolidated Company and its subsidiaries.

(2) Significant related-party transactions

a. Sales to related parties

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

	Operating revenues for the year ended December 31		Receivables from Related Parties		
	2012	2013	January 1, 2012	December 31, 2012	December 31, 2013
Associates	$ 5,812,182	5,512,160	819,410	691,230	591,735
Other Related Parties	16,601,234	18,586,477	823,451	1,800,003	1,940,484
Total	**$ 22,413,416**	**24,098,637**	**1,642,861**	**2,491,233**	**2,532,219**

(Continued)

The selling prices and collection terms of sales to related parties are not significantly different from those of third-party customers. The accounts receivable arising from sales of machinery and equipment, and machine parts are collected after the delivery inspection, and the accounts receivable arising from sales of other products are collected on the 30th day of the following month.

The Consolidated Company sells mainly machinery and provides engineering services to related parties in China and Vietnam. Payment is made after the test run of machinery sold. Also, it sells other products to these related parties. Selling prices and collection terms of other products sold to these associates are not materially different from those to non-related general buyers. Payments are collected 30 to 180 days after shipping of these other products.

b. Purchase from related parties

Significant purchases from related parties and the balance of accounts payable were as follows:

	Purchases for the year ended December 31		Payables to Related Parties		
	2012	2013	January 1, 2012	December 31, 2012	December 31, 2013
Associates	$ 57,807,543	60,363,147	4,678,449	5,365,628	6,006,381
Other Related Parties	66,782,594	63,461,779	6,091,796	5,622,576	5,450,539
Total	$ 124,590,137	123,824,926	10,770,245	10,988,204	11,456,920

Purchase prices and payment terms of purchases from related parties are not materially different from those of non-related general suppliers. Payment shall be paid within 30 to 180 days of the month following the month of purchase with checks which are due and payable immediately.

c. Unrealized sales profit

Significant unrealized (realized) profits from sales to related parties for the year ended December 31, 2012 and 2013 were as follows:

	For the year ended December 31, 2012		
Investee	Unrealized sales profit at beginning of period	(Realized) Unrealized Sales Profits	Unrealized sales profit at end of period
Associates	$ 75,246	(17,751)	57,495

	For the year ended December 31, 2013		
Investee	Unrealized sales profit at beginning of period	(Realized) Unrealized Sales Profits	Unrealized sales profit at end of period
Associates	$ 57,495	5,605	63,100

(Continued)

d. Construction

The Consolidated Company contracted with associates to construct and expand the Consolidated Company's factory. The construction costs for the year ended December 31, 2012 and 2013, and the unpaid amount due to the related party as of January 1, 2012, December 31, 2012 and 2013, were as follows:

	Construction costs for the year ended December 31		Payables to Related Parties		
	2012	2013	January 1, 2012	December 31, 2012	December 31, 2013
Associates	$ 582,235	471,726	31,331	2,167	-

e. Utility expenses

Part of the utilities of the Consolidated Company's Lin-Yuan plant and all of the utilities of the Consolidated Company's Ren-Wu plant, including power, water and steam, are supplied by or paid on behalf of the Consolidated Company by the utility plants of Formosa Plastics Corporation. The utilities of the Consolidated Company's Mai Liao plant, including power, water and steam, are supplied by Formosa Petrochemical Corporation. The expenses for utilities for the year ended December 31, 2012 and 2013 were as follows:

	For the year ended December 31	
	2012	2012
Associates	$ 7,144,440	7,435,456
Other related parties	103,729	110,998
	$ 7,248,169	7,546,454

f. Sales of property, plant and equipment

For the year ended December 31, 2012 and 2013, the realized (unrealized) inter-company profits due to disposal of fixed assets were as follows:

	For the year ended December 31, 2012		
Investee	Unrealized profit on disposal of fixed assets at beginning	Unrealized (realized) profit on disposal of fixed assets	Unrealized profit on disposal of fixed assets at ending
Associates	$ 4,293	-	4,293

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	For the year ended December 31, 2013		
Investee	Unrealized profit on disposal of fixed assets at beginning	Unrealized (realized) profit on disposal of fixed assets	Unrealized profit on disposal of fixed assets at ending
Associates	$ 4,293	-	4,293

g. Financing to related parties

Lending to related parties is as follows:

	Other Receivables from Related Parties		
	January 1, 2012	December 31, 2012	December 31, 2013
Associates	$ 25,182,962	26,329,926	33,774,912
Other Related Parties	21,194,161	18,197,980	30,003,930
	$ 46,377,123	44,527,906	63,778,842

h. Financing from related parties

Lending from related parties is as follows:

	Other Receivables from Related Parties		
	January 1, 2012	December 31, 2012	December 31, 2013
Associates	$ 21,358	14,000	15,900

i. Endorsements and guarantees

As of January 1, 2012, December 31, 2012 and 2013, the amounts of the Consolidated Company's endorsements and guarantees for securing related parties' loans were as follows:

	January 1, 2012	December 31, 2012	December 31, 2013
Associates	$ 8,063,804	7,423,603	5,529,558

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3) Key management personnel compensation

	For the year ended December 31	
	2012	2013
Short-term employee benefits	$ 106,154	112,791
Share-based payment	646	646
	$ 106,800	113,437

8. Pledged Properties

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

Pledged assets	Pledged to secure	January 1, 2012	December 31, 2012	December 31, 2013
Available-for-sale financial asset－current －stock of Formosa Plastics Corporation	Long-term and short-term debt	$ 1,029,069	1,001,050	1,025,248
Investment accounted for using equity method－stock of Formosa Petrochemical Corporation	Long-term and short-term debt	9,458,498	8,765,311	10,183,877
Land (include idle land)	Long-term and short-term debt	5,239,332	5,200,809	5,200,809
Machinery and equipment	Long-term and short-term debt	32,769,256	29,039,638	25,283,069
Total		$ 48,496,155	44,006,808	41,693,003

9. Commitments and Contingencies

	January 1, 2012	December 31, 2012	December 31, 2013
(1) Outstanding letters of credit for the importation of raw materials	$ 1,977,631	2,792,215	2,476,144
(2) Endorsements and guarantees	8,063,804	7,423,603	5,529,558

(3)PFG Fiber Glass (HK) Co., Ltd., an investee company under the equity method, invested in PFG Fiber Glass (Kunshan). The Company provided comfort letters to a group of banks, which provided a syndicated loan to PFG Fiber Glass (Kunshan), including Sumitomo Mitsui Financial Group, UFJ, BNP Paribas, Citibank, and Wing Hang Bank. Under these comfort letters, the Company has committed not to reduce the ratio of its shareholding in these investee companies below 50%. In addition, the Company has to monitor the operations of these investees to ensure that they maintain a sound financial condition and pay debts on schedule.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

10. Significant Disaster Loss: None.

11. Subsequent Event: None.

12. Others

The Consolidated Company's personnel, depreciation, and amortization expenses, categorized by function, were as follows:

	For the year ended December 31, 2012			
	Operating costs	Operating expense	Non-operating expense	Total
Employee benefit				
Salaries	$ 17,205,855	5,056,920	-	22,262,775
Labor and health insurance	1,470,831	304,091	-	1,774,922
Pension	1,333,759	408,220	-	1,741,979
Others	904,468	151,843	-	1,056,311
Depreciation	14,427,362	769,554	31,122	15,228,038
Amortization	1,270,403	153,097	-	1,423,500

	For the year ended December 31, 2013			
	Operating costs	Operating expense	Non-operating expense	Total
Employee benefit				
Salaries	$ 17,641,393	5,183,793	-	22,825,186
Labor and health insurance	1,549,438	316,749	-	1,866,187
Pension	1,383,511	386,368	-	1,769,879
Others	888,120	144,694	-	1,032,814
Depreciation	13,973,190	743,458	27,677	14,744,325
Amortization	1,251,413	162,539	-	1,413,952

13. Operating Segments

(1) General Information
The Consolidated Company's four reportable segments are: plastics products, plastic materials, electronic materials and fiber products. Plastic products department mainly engaged in the manufacture and sale of flexible PVC sheets and other plastics processing products; plastic materials department is mainly engaged in the manufacture and sale of ethylene glycol and other plastic petrochemical raw materials; electronic materials department is mainly engaged in the manufacture and sale of copper clad laminate; fiber products department is mainly engaged in the manufacture and sale of polyester products.

(Continued)

The Consolidated Company's reportable segments are responsible for the company's strategic business units, including the manufacturing and supplying of different products. Since each strategic business unit requires different technology and marketing strategies, it must be administered separately.

(2) Segment revenue and operating results

Since the shares, income tax, extraordinary gains and losses, and foreign exchange gains and losses of the associated companies and joint ventures under the equity method are based on group-based management, the unallocated part of the Consolidated Company should be reported to reportable segments. In addition, except for depreciation and amortization, not all profit or loss of the reportable department should be included in the significant non-cash accounts. The reported amounts are consistent with the decision makers' report.

There were no material differences between the accounting policies of the Consolidated Company's operating segments and the accounting policies described in Note 4. The operating segment's profit of the Consolidated Company uses the operating income before tax as the measurement and basis of performance evaluation. The Consolidated Company recognized the sales and the transfers of its products to its departments as transactions with third parties, and measured them under the current market price.

Operating segments are combined and reconciled as follows:

	For the year ended December 31,2012						
	Plastics Product	Plastics Material	Electronic Materials	Polyester Product	Other Department	Adjustments and Eliminated	Total
Revenue：							
Net revenue from external customers	$ 48,933,379	89,250,199	83,844,657	72,533,993	6,148,269	-	300,710,497
Net revenue from sales among intersegments	755,636	8,238,867	11,458,738	405,094	6,719,997	(27,578,332)	-
Interest revenue	65,938	6,290	679,830	853,128	1,256,078	(434,742)	2,426,522
Total revenue	$ 49,754,953	97,495,356	95,983,225	73,792,215	14,124,344	(28,013,074)	303,137,019
Interest expense	$ 68,369	218,452	292,427	5,529	2,224,045	(434,742)	2,374,080
Depreciation and amortization	2,183,763	4,658,884	7,530,101	1,838,774	440,016	-	16,651,538
Using the equity method of associated companies and joint ventures share of the profit or loss	-	-	-	-	-	-	(10,971,469)
Reportable segment profit or loss	$ 2,878,288	6,597,398	620,304	2,274,080	(3,170,520)	(3,596,799)	5,602,751
Reportable segment assets	$ 37,243,758	66,088,623	125,303,190	40,330,516	301,331,115	(111,500,150)	458,797,052
Reportable segment liabilities	$ 9,475,624	21,995,313	24,709,643	6,884,094	145,895,053	(3,642,685)	205,317,042
Beginning balance of 2012							
Reportable segment assets	$ 39,798,415	68,379,342	128,146,558	40,135,798	315,077,779	(115,531,189)	476,006,703
Reportable segment liabilities	$ 12,252,213	13,936,627	27,989,341	7,596,686	145,756,825	(3,845,441)	203,686,251

	For the year ended December 31,2013						
	Plastics Product	Plastics Material	Electronic Materials	Polyester Product	Other Department	Adjustments and Eliminated	Total
Revenue：							
Net revenue from external customers	$ 49,244,721	96,795,993	85,193,570	73,674,940	6,096,065	-	311,005,289
Net revenue from sales among intersegments	853,241	5,882,662	8,232,395	920,706	5,831,040	(21,720,044)	-
Interest revenue	79,014	18,825	589,053	2,509	1,232,126	(397,274)	1,524,253
Total revenue	$ 50,176,976	102,697,480	94,015,018	74,598,155	13,159,231	(22,117,318)	312,529,542
Interest expense	$ 58,906	317,955	172,809	5,116	2,043,188	(397,274)	2,200,700
Depreciation and amortization	1,947,837	4,764,246	7,140,745	1,850,524	454,925	-	16,158,277
Using the equity method of associated companies and joint ventures share of the profit or loss	-	-	-	-	-	-	12,726,562
Reportable segment profit or loss	$ 3,665,073	9,142,638	2,047,652	3,336,922	17,217,408	(4,452,230)	30,957,463
Reportable segment assets	$ 40,685,941	72,354,320	130,039,527	42,595,496	360,955,293	(122,120,447)	524,510,130
Reportable segment liabilities	$ 10,918,564	23,867,788	23,257,566	7,653,182	166,713,084	(3,247,605)	229,162,579

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The above significant reconciling items of reportable segment information are described as follows:

The sum of reportable segment revenue in 2012 and 2013 amounting to $28,013,074 and $22,117,318, respectively, should be eliminated by the inter-department revenue.

(3) Geographic information

The geographic information of the Consolidated Company is as follows, which revenue is on the basis of the customers' location and non-current asset are on the basis of the assets' location.

Geographic	For the year ended December 31 2012	2013
Net Revenue from External Customers:		
Taiwan	$ 86,033,411	84,641,657
China and HK	117,935,961	118,293,482
U.S.A.	48,663,302	52,707,439
Others	48,077,823	55,362,711
	$ 300,710,497	**311,005,289**

Geographic	January 1, 2012	December 31, 2012	December 31, 2013
Non-current Assets:			
Taiwan	$ 83,585,807	82,977,441	81,423,998
China and HK	68,365,706	70,336,875	73,789,456
U.S.A.	5,738,094	5,272,047	5,210,323
	$ 157,689,607	**158,586,363**	**160,423,777**

Non-current assets include property, plant and equipment, investment property, intangible assets and other assets, but do not include financial instruments, deferred tax assets, post-employment benefit assets, and non-current assets arising from the right of insurance contracts.

(4) Information about major customers

There is no single customer's sale which exceeds 10% of the Consolidated Company's revenues.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

14. First time adoption of IFRSs

The consolidated financial statements as of December 31, 2012 were prepared in accordance with the accounting principles generally accepted in the Republic of China (ROC GAAP). As described in note 4(a), these consolidated financial statements have been prepared in accordance with the Regulations and the IFRSs endorsed by the FSC. IFRS 1 "First-time Adoption of International Financial Reporting Standards" is also adopted in the preparation of these consolidated financial statements.

For comparison purposes, the accounting policies as shown in note 4 were also adopted to the consolidated financial statements as of and for the year ended December 31, 2012, and the statements of financial position as of December 31, 2012, and as of January 1, 2012 (which is the date when the Consolidated Company commences to first-time adopt the above mentioned IFRS).

In preparing its opening statement of financial position for the first time adoption of IFRSs endorsed by the FSC, the Consolidated Company has adjusted the amounts reported previously in its 2012 financial statements prepared in accordance with ROC GAAP. An explanation of how the transition from ROC GAAP to IFRSs endorsed by the FSC has affected the Consolidated Company's financial position, financial performance and cash flows is set out in the following tables and the related notes thereto.

(1) Reconciliation of consolidated balance sheet

	January 1, 2012			December 31, 2012		
	ROC GAAP	Adjustments	IFRSs	ROC GAAP	Adjustments	IFRSs
ASSETS						
Cash and cash equivalents	$ 28,330,372	(105)	28,330,267	25,341,532	286	25,341,818
Financial assets at fair value through profit or loss－current	9,860	-	9,860	-	-	-
Available-for-sale financial assets－current	40,343,701	-	40,343,701	38,494,571	-	38,494,571
Notes receivable, net	6,228,202	-	6,228,202	5,734,422	-	5,734,422
Accounts receivable, net	33,372,109	(89)	33,372,020	31,366,221	438	31,366,659
Receivables from related parties	1,642,888	(27)	1,642,861	2,491,233	-	2,491,233
Inventories	45,196,954	34,999	45,231,953	43,159,396	15,529	43,174,925
Other receivables	4,065,434	(1)	4,065,433	1,879,605	30	1,879,635
Other receivable from related parties	46,377,123	-	46,377,123	44,527,906	-	44,527,906
Other current assets	5,518,603	(51,137)	5,467,466	5,188,711	(212,970)	4,975,741
Total current assets	211,085,246	(16,360)	211,068,886	198,183,597	(196,687)	197,986,910
Other investments						
Available-for-sale financial assets－non-current	3,108,246	-	3,108,246	2,791,326	-	2,791,326
Financial assets carried at cost－non-current	3,013,563	-	3,013,563	3,007,751	-	3,007,751
Investments accounted for using equity method	96,770,148	(945,370)	95,824,778	90,499,848	(842,305)	89,657,543
Property, plant and equipment	147,829,884	1,293,688	149,123,572	146,291,249	918,516	147,209,765
Deferred pension cost	761,604	(761,604)	-	453,560	(453,560)	-
Technology development expense	456,154	-	456,154	348,242	-	348,242
Prepayments on purchase of equipment	-	2,148,940	2,148,940	-	2,528,121	2,528,121
Prepaid pension costs－non-current	-	1,014	1,014	-	1,014	1,014
Deferred tax assets	-	5,300,609	5,300,609	177,247	6,588,898	6,766,145
Other assets	7,339,635	(1,378,694)	5,960,941	9,863,320	(1,363,085)	8,500,235
Total non-current assets	259,279,234	5,658,583	264,937,817	253,432,543	7,377,599	260,810,142
TOTAL ASSETS	$ 470,364,480	5,642,223	476,006,703	451,616,140	7,180,912	458,797,052

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	January 1, 2012			December 31, 2012		
	ROC GAAP	Adjustments	IFRSs	ROC GAAP	Adjustments	IFRSs
Liabilities						
Short-term borrowings	$ 12,450,186	(75)	12,450,111	9,325,000	139	9,325,139
Financial liabilities at fair value through profit or loss－current	40,608	-	40,608	28,560	-	28,560
Notes and accounts payable	7,814,044	(35)	7,814,009	7,749,708	107	7,749,815
Payables to related parties	10,801,607	(31)	10,801,576	10,990,316	55	10,990,371
Other payables	15,560,620	(34)	15,560,586	11,556,885	293	11,557,178
Other payables to related parties	21,358	-	21,358	14,000	-	14,000
Current portion of bonds payable	7,493,206	-	7,493,206	17,486,256	-	17,486,256
Current portion of long-term debts	6,959,726	(13,622)	6,946,104	10,709,056	12	10,709,068
Deferred tax liabilities－current	292,140	(292,140)	-	12,458	(12,458)	-
Other current liabilities	824,939	212,601	1,037,540	1,304,703	(48,998)	1,255,705
Total current liabilities	62,258,434	(93,336)	62,165,098	69,176,942	(60,850)	69,116,092
Financial liabilities at fair value through profit or loss－non-current	30,456	-	30,456	-	-	-
Bonds payable	65,518,233	-	65,518,233	59,539,863	-	59,539,863
Long-term debts	43,933,422	13,438	43,946,860	45,216,090	24	45,216,114
Deferred tax liabilities	1,876,706	4,447,577	6,324,283	-	5,452,037	5,452,037
Accrued pension liability	18,630,372	6,171,156	24,801,528	19,119,753	6,038,254	25,158,007
Guarantee deposits	626,272	(5)	626,267	614,605	11	614,616
Other liabilities	255,233	18,293	273,526	204,388	15,925	220,313
Total non-current liabilities	130,870,694	10,650,459	141,521,153	124,694,699	11,506,251	136,200,950
TOTAL LIABILITIES	193,129,128	10,557,123	203,686,251	193,871,641	11,445,401	205,317,042
Common stock	78,522,986	-	78,522,986	78,522,986	-	78,522,986
Capital surplus	27,531,548	(5,113,090)	22,418,458	26,785,515	(4,805,341)	21,980,174
Retained earnings	121,992,771	6,189,890	128,182,661	109,718,974	6,243,060	115,962,034
Others	36,573,677	(6,451,215)	30,122,462	31,540,850	(6,184,289)	25,356,561
Treasury stock	(1,945)	-	(1,945)	(1,945)	-	(1,945)
Non-controlling interests	12,616,315	459,515	13,075,830	11,178,119	482,081	11,660,200
Total Equity	277,235,352	(4,914,900)	272,320,452	257,744,499	(4,264,489)	253,480,010
TOTAL LIABILITIES AND EQUITY	$ 470,364,480	5,642,223	476,006,703	451,616,140	7,180,912	458,797,052

(2) Reconciliation of statements of comprehensive income

	For the year ended December 31, 2012		
	ROC GAAP	Adjustments	IFRSs
Operating revenues, net	$ 300,706,885	3,612	300,710,497
Operating costs	(271,566,919)	(3,377)	(271,570,296)
Gross profit, net	29,139,966	235	29,140,201
Operating expenses			
Selling expenses	(9,156,306)	(25)	(9,156,331)
Administrative expenses	(7,777,687)	440,876	(7,336,811)
Total operating expenses	(16,933,993)	440,851	(16,493,142)
Operating income	12,205,973	441,086	12,647,059
Non-operating income and expenses			
Other income	6,322,887	3,341	6,326,228
Other gains and losses, net	255,814	(334,801)	(78,987)
Finance costs	(2,374,071)	(9)	(2,374,080)
Share of profit (loss) of associates and joint ventures accounted for using equity method	(10,922,567)	5,098	(10,917,469)
Income before income tax	5,488,036	114,715	5,602,751
Income tax expense	(1,894,749)	(68,519)	(1,963,268)
Net income	3,593,287	46,196	3,639,483

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	For the year ended December 31, 2012		
	ROC GAAP	Adjustments	IFRSs
Other comprehensive income			
Foreign currency translation differences－foreign operation	$ (3,943,387)	198,855	(3,744,532)
Unrealized gains on available-for-sale financial assets	(1,174,761)	-	(1,174,761)
Revaluation increments	(109)	109	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(25,404)	67,962	42,558
Other comprehensive income－other	(28,128)	-	(28,128)
Income tax benefit related to components of other comprehensive income	138,962	-	138,962
Other comprehensive income for the period, net of tax	(5,032,827)	266,926	(4,765,901)
Total comprehensive income for the period	$ (1,439,540)	313,122	(1,126,418)
Earnings per share			
Basic earnings per share	$ 0.54	-	0.54

(3) Explanations for reconciliation differences

a. In determining the carrying value of property, plant and equipment, the Consolidated Company adopted an optional exemption of IFRS 1 to measure the property, plant and equipment through revaluation based on Regulations Governing the Revaluation Assets of Profit-Seeking Enterprise. As a result, under IFRSs, the Consolidated Company reclassified unrealized revaluation increment under equity, which was recognized based on ROC GAAP, to retained earnings. The quantitative effects of the differences are as follows:

	For the Year Ended December 31, 2012
Consolidated statement of comprehensive income:	
Decrease in other gains and losses	$ (109)

	January 1, 2012	December 31, 2012
Consolidated balance sheets:		
Increase in retained earnings	$ 226,405	226,296

b. Under IFRSs, the Consolidated Company adopted excemption under IFRS1 to presume the cumulative translation differences arising from currency translation of foreign operations were $0, and reclassified cumulative translation differences of $6,050,647 recognized based on ROC GAAP to retained earnings.

(Continued)

c. Under IFRSs, the Consolidated Company adopted IAS21 "The Effects of Changes in Foreign Exchange Rates" to determine the functional currencies. Under IFRSs, adjustments are made and the quantitative effects of those adjustments on reporting date are as follows:

	For the Year Ended December 31, 2012
Consolidated comprehensive income statement:	
Decrease in income tax expense	$ 4,341

	January 1, 2012	December 31, 2012
Consolidated balance sheets:		
Increase(Decrease) in total assets	$ 2,136,047	2,137,215
(Increase) Decrease in total liabilities	(362,826)	(364,164)
(Increase) Decrease in equity	(1,773,221)	(1,798,588)
Decrease in net income	$ -	(25,537)
Increase in retained earnings	$ 1,187,530	1,166,334

d. Under IFRSs, IAS39 is adopted to account for investment under equity method. Under IFRSs, adjustments were made and the quantitative effects of those adjustments are as follows:

	For the Year Ended December 31, 2012
Consolidated statement of comprehensive income:	
Increase in investment loss under equity method	$ (288,030)
Decrease in changes in fair value of available-for-sale financial assets	$ (31,609)

	January 1, 2012	December 31, 2012
Consolidated balance sheets:		
Increase in retained earnings	$ (784,553)	(1,072,583)

(Continued)

e. Under R.O.C. GAAP, rental assets and idle assets are classified under other assets. Under IFRSs, particularly IAS16 "Property, Plant and Equipment", these assets are reclassified as property, plant and equipment and investment property according to their nature. Under IFRSs, adjustments are made and the quantitative effects of those adjustments are as follows:

	January 1, 2012	December 31, 2012
Consolidated balance sheets:		
Increase in property, plant and equipment	$ 1,352,083	1,654,016
Decrease in other assets	$ (1,352,083)	(1,654,016)

f. Under R.O.C GAAP, prepayments for land and equipment are accounted for under property, plant and equipment. Under the IFRSs endorsed by the FSC, such prepayments are reclassified as other assets because they do not qualify for the definition of property, plant and equipment. Under IFRSs, adjustments are made and the quantitative effects of those adjustments are as follows:

	January 1, 2012	December 31, 2012
Consolidated balance sheets:		
Increase in prepayments on purchase of equipment	$ 2,148,940	2,528,121

g. Under R.O.C GAAP, if an investee issues new shares and an investor does not purchase new shares proportionately, capital surplus and the long-term equity investment accounts should be adjusted for the change in the investor's holding percentage and interest in the investee's net assets. Under IFRSs, a reduction of investor's ownership interest that results in loss of significant influence on or control over an investee would be treated as a deemed disposal, with the related gain or loss recognized in profit or loss. A reduction of subsidiaries' ownership interest without losing significant influence on or control over an investee is treated as equity transaction. Under IFRSs, an adjustment is made to reclassify capital surplus－long-term equity investments recognized under R.O.C GAAP to retained earnings at the date of transition to IFRS. This IFRS adjustment increased the retained earnings by $5,113,090 on each reporting date.

h. At the transition date, the Consolidated Company performed the actuarial valuation under IAS No. 19, "Employee Benefits," and recognized the actuarial gain and loss, using the corridor approach, directly to retained earnings under the requirement of IFRS 1.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Under R.O.C. GAAP, the minimum pension liability is recognized in the balance sheet. If the accrued pension cost is less than the minimum amount, the difference is recognized as an additional liability. Under IFRSs, there is no aforementioned requirement of minimum pension liability. The quantitative effects of the adjustments under IFRSs are as follows:

		For the Year Ended December 31, 2012
Consolidated statement of comprehensive income:		
Decrease in administrative expenses	$	436,753
Increase in income expenses		(74,248)
Increase in comprehensive income	**$**	**362,505**

	January 1, 2012	December 31, 2012
Consolidated balance sheets:		
Decrease in retained earnings	**$ (5,603,229)**	**(5,240,724)**

i. The IFRS adjustments discussed above resulted in the following changes to deffered tax assets (liabilities):

	January 1, 2012	December 31, 2012
Consolidated balance sheets:		
Cumulative translation adjustments	$ (363,190)	(363,190)
Investments accounted for using equity method	(50,648)	133,807
Actuarial gains and losses	1,178,397	1,103,436
Deferred tax assets	**$ 764,559**	**874,053**

Deferred tax assets or liabilities are all classified as non-current assets or liabilities. Only if the Consolidated Company has a legally enforceable right to set off current tax assets against current tax liabilities and meets other related requirements may the Consolidated Company offset deferred tax assets and deferred tax liabilities. Under IFRSs, adjustments are made further to increase deferred tax assets and liabilities by $4,033,739, and $5,088,847 as of January 1, and December 31, 2012, respectively. Also, under IFRSs, a reclassifying entry is made to reclassify the deferred tax asset – current of $88,473, and $262,808 to deferred tax asset – non-current as of January 1, and December 31, 2012, respectively.

(Continued)

j. The IFRS adjustments discussed above resulted in the following changes to retained earnings:

	January 1, 2012	December 31, 2012
Consolidated balance sheets:		
Unrealized revaluation increments	$ 226,405	226,296
Cumulative translation adjustments	6,050,647	6,050,647
Transition of functional currency	1,187,530	1,166,334
Investments accounted for using equity method	(784,553)	(1,072,583)
Capital surplus	5,113,090	5,113,090
Actuarial gains and losses	(5,603,229)	(5,240,724)
Increase in retained earnings	**$ 6,189,890**	**6,243,060**

k. Under IFRSs, the Consolidated Company availed of the use of exemption under IFRS 1, so that a reclassifying entry is made to reclassify to retained earnings the unrealized revaluation increment under equity and cumulative translation differences aggregating to $6,277,052. The Consolidated Company increased retained its earnings on the date of transition to IFRS based on IFRS1 by $6,243,060. Under Rule No. 1010012865 issued by the FSC on April 6, 2012, an adjustment is also made to appropriate a special reserve from retained earnings due to similar increase in retained earnings as a result of the Consolidated Company's use of exemptions under IFRS 1.This appropriation for special reserve resulted in a net increase in retained earnings $6,243,060 only on the date of transition to IFRSs.

KPMG

安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei, 11049, Taiwan, R.O.C.

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 www.kpmg.com.tw

Independent Auditors' Report

The Board of Directors
Nan Ya Plastics Corporation:

We have audited the accompanying consolidated balance sheets of Nan Ya Plastics Corporation and its subsidiaries (collectively referred to as the "Consolidated Company") as of December 31, 2013 and 2014 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements of certain subsidiaries with total assets of $139,552,450 thousand and $148,398,874 thousand, constituting 26.61% and 27.86% of the consolidated total assets as of December 31, 2013 and 2014, respectively. Total revenues of these subsidiaries amounted to $97,485,573 thousand and $103,644,330 thousand, constituting 31.35% and 31.84% of the consolidated total revenues for the years ended December 31, 2013 and 2014, respectively. In addition, we did not audit the financial statements of certain investee companies under the equity method. The Consolidated Company's investments in the aforementioned investee companies were $84,268,523 thousand and $85,858,360 thousand, constituting 16.07% and 16.12% of the consolidated total assets as of December 31, 2013 and 2014, respectively, and the Consolidated Company's equity in net earnings of these investee companies were $9,151,103 thousand and $4,751,496 thousand , constituting 21.36% and 9.12% of the consolidated total comprehensive income for the years ended December 31, 2013 and 2014, respectively. The consolidated financial statements of the aforementioned subsidiaries and investee companies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries and investee companies, is based solely on the reports of other auditors.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Nan Ya Plastics Corporation and its subsidiaries as of December 31, 2013 and 2014, and the results of their operations and their consolidated cash flows for the years ended December 31, 2013 and 2014, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations and SIC interpretations as endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Nan Ya Plastics Corporation as of and for the years ended December 31, 2013 and 2014 and have expressed a modified unqualified opinion thereon.

KPMG

Taipei, Taiwan (the Republic of China)
March 25, 2015

Note to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with IFRSs as endorsed by the FSC of the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between or any difference in the interpretation of the two versions, the Chinese language shall prevail.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2013 AND 2014
(Expressed in thousands of New Taiwan Dollars)

	December 31, 2013	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents (note 6(1))	$ 24,547,373	36,632,716
Available-for-sale financial assets－current (notes 6(2) and (18))	43,162,997	40,842,667
Notes receivable, net (note 6(18))	6,917,412	8,032,090
Accounts receivable, net (note 6(18))	35,330,345	34,845,415
Receivables from related parties (note 7)	2,532,219	11,521,600
Other receivables	1,700,011	2,575,117
Other receivables from related parties (note 7)	63,778,842	24,010,378
Inventories, net (note 6(4))	45,220,280	47,379,663
Other current assets	6,410,802	5,851,585
Total current assets	229,600,281	211,691,231
Non-current assets:		
Available for-sale financial assets－non-current (notes 6(2) and (18))	10,515,714	22,491,849
Financial assets carried at cost－non-current (note 6(2))	3,009,879	2,998,687
Investments accounted for using equity method (note 6(5))	114,532,675	129,204,326
Property, plant and equipment (note 6(6))	147,810,707	145,079,151
Technology development expense	247,060	139,535
Deferred tax assets (note 6(12))	6,430,974	8,281,938
Prepayments on purchase of equipment	2,418,547	2,305,980
Overdue receivables (note 6(3))	-	-
Prepaid pension costs－non-current	1,014	1,014
Other assets	9,943,279	10,457,816
Total non-current assets	294,909,849	320,960,296
Total assets	$ 524,510,130	532,651,527

	December 31, 2013	December 31, 2014
Liabilities and Equity		
Current liabilities:		
Short-term borrowings (notes 6(8) and (18))	$ 14,337,560	9,201,472
Short-term notes and bills payable (notes 6(7) and (18))	4,499,306	-
Notes and accounts payable (note 6(18))	7,104,310	7,973,470
Payables to related parties (notes 6 (18) and 7)	11,456,920	8,810,017
Other payables	15,025,997	13,977,003
Other payables to related parties (note 7)	15,900	32,600
Current portion of bonds payable (notes 6(10) and (18))	17,987,255	25,660,654
Current portion of long-term debts (notes 6(10) and (18))	22,718,829	4,919,981
Other current liabilities	915,947	1,092,900
Total current liabilities	94,062,024	71,668,097
Non-current liabilities:		
Bonds payable (notes 6(10) and (18))	73,214,727	63,592,267
Long-term debts (notes 6(9) and (18))	29,604,621	29,991,393
Deferred tax liability (note 6(12))	6,612,663	7,817,402
Accrued pension liabilities (note 6(11))	24,818,051	24,625,157
Guarantee deposits	645,271	617,021
Other liabilities	205,222	192,608
Total non-current liabilities	135,100,555	126,835,848
Total liabilities:	229,162,579	198,503,945
Equity Attributable to Owners of the Parent (notes 6(13)):		
Common stock	79,308,216	79,308,216
Capital surplus	21,917,718	22,926,996
Retained earnings	138,092,702	154,809,420
Others	43,134,677	62,417,658
Treasury stock	(1,945)	-
Non-controlling interests	12,896,183	14,685,292
Total Equity	295,347,551	334,147,582
Total liabilities and equity	$ 524,510,130	532,651,527

See accompanying notes to consolidated financial statements.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	2013	2014
Operating revenues, net (notes 6(17) and 7)	$ 311,005,289	325,473,146
Operating costs (notes 6(4), 7 and 12)	278,338,457	296,426,556
Realized (unrealized) profit from affiliated companies (note 7)	5,605	13,492
Gross profit, net	32,661,227	29,033,098
Operating expenses (notes 6(11) and 7):		
Selling expenses	9,626,789	9,973,544
Administrative expenses	8,222,295	8,068,366
Total operating expenses	17,849,084	18,041,910
Operating income	14,812,143	10,991,188
Non-operating income and expenses:		
Other income (note 6(17))	3,972,786	4,386,359
Other gains and losses (note 6(17))	1,646,672	5,770,598
Finance costs (note 6(17))	(2,200,700)	(2,147,670)
Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(5))	12,726,562	15,515,623
Total non-operating income and expenses	16,145,320	23,524,910
Income before income tax	30,957,463	34,516,098
Less: Income tax expense (note 6(12))	5,893,763	1,699,345
Net income	25,063,700	32,816,753
Other comprehensive income (loss) (note 6(13))		
Exchange differences on translation of foreign operations	5,235,320	7,993,127
Unrealized gains on available-for-sale financial assets	10,266,627	8,469,631
Share of other comprehensive income of associates and joint ventures accounted for using equity method	2,371,300	3,114,468
Other comprehensive income－other	11,245	(6,942)
Less: Income tax expense related to components of other comprehensive income	106,376	287,303
Other comprehensive income for the period, net of tax	17,778,116	19,282,981
Total comprehensive income for the period	**42,841,816**	**52,099,734**
Net income (loss) attributable to:		
Owners of parent	25,271,588	31,785,279
Non-controlling interests	(207,888)	1,031,474
	25,063,700	**32,816,753**
Comprehensive income (loss) attributable to:		
Owners of parent	43,049,704	51,068,260
Non-controlling interests	(207,888)	1,031,474
	$ 42,841,816	**52,099,734**

	2013		2014	
	Before Tax	**After Tax**	**Before Tax**	**After Tax**
Basic earnings per share：				
Income from continuing operations	**$ 3.90**	**3.16**	**4.35**	**4.14**
Income (Loss) from non-controlling equity	**$ 0.40**	**(0.03)**	**0.49**	**0.13**
Income attributable to shareholders of the parent	**$ 3.50**	**3.19**	**3.86**	**4.01**

See accompanying notes to consolidated financial statements.

NAN YA PLASTICS 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)

	Attributable to Owners of Parent												
			Retained earnings			Others							
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Foreign currency translation differences	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedge reserve	Others	Treasury stock	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance, January 1, 2013	$ 78,522,986	21,980,174	43,290,401	58,412,038	14,259,595	(3,605,570)	29,002,505	(12,246)	(28,128)	(1,945)	241,819,810	11,660,200	253,480,010
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	421,603	-	(421,603)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	6,243,060	(6,243,060)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,355,690)	-	-	-	-	-	(2,355,690)	-	(2,355,690)
Stock dividends	785,230	-	-	-	(785,230)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,167)	1,167	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	(62,484)	-	-	-	-	-	-	-	-	(62,484)	-	(62,484)
Net income for the year ended December 31, 2013	-	-	-	-	25,271,588	-	-	-	-	-	25,271,588	(207,888)	25,063,700
Other comprehensive income for the year ended December 31, 2013 net of income tax	-	-	-	-	-	5,128,944	12,623,965	13,962	11,245	-	17,778,116	-	17,778,116
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	25,271,588	5,128,944	12,623,965	13,962	11,245	-	43,049,704	(207,888)	42,841,816
Recognition of capital surplus resulting from dividends to subsidiaries	-	28	-	-	-	-	-	-	-	-	28	-	28
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,443,871	1,443,871
Balance, December 31, 2013	79,308,216	21,917,718	43,712,004	64,653,931	29,726,767	1,523,374	41,626,470	1,716	(16,883)	(1,945)	282,451,368	12,896,183	295,347,551
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	2,527,159	-	(2,527,159)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	7,527,371	(7,527,371)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,068,561)	-	-	-	-	-	(15,068,561)	-	(15,068,561)
Reversal of special reserve	-	-	-	(1,333)	1,333	-	-	-	-	-	-	-	-
Other changes in capital surplus	-	1,007,236	-	-	-	-	-	-	-	-	1,007,236	-	1,007,236
Net income for the year ended December 31, 2014	-	-	-	-	31,785,279	-	-	-	-	-	31,785,279	1,031,474	32,816,753
Other comprehensive income for the year ended December 31, 2014 net of income tax	-	-	-	-	-	7,705,824	11,588,325	(4,226)	(6,942)	-	19,282,981	-	19,282,981
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	31,785,279	7,705,824	11,588,325	(4,226)	(6,942)	-	51,068,260	1,031,474	52,099,734
Acquisition of company's share by subsidiaries recognized as treasury share	-	-	-	-	-	-	-	-	-	(1,855)	(1,855)	-	(1,855)
Disposal of Company's share by subsidiaries recognized as treasury share transactions	-	9,528	-	-	-	-	-	-	-	3,800	13,328	-	13,328
Recognition of capital surplus resulting from dividends to subsidiaries	-	352	-	-	-	-	-	-	-	-	352	-	352
Difference between consideration and book value of subsidiaries acquired or disposed	-	(7,838)	-	-	-	-	-	-	-	-	(7,838)	-	(7,838)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	757,635	757,635
Balance, December 31, 2014	$ 79,308,216	22,926,996	46,239,163	72,179,969	36,390,288	9,229,198	53,214,795	(2,510)	(23,825)	-	319,462,290	14,685,292	334,147,582

See accompanying notes to consolidated financial statements.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014
(Expressed in thousands of New Taiwan Dollars)

	2013	2014
Cash flows from operating activities:		
Income before income tax	$ 30,957,463	34,516,098
Adjustments:		
Adjustments to reconcile net income to net cash provided		
Depreciation	14,744,325	15,326,343
Amortization	1,413,952	1,949,764
Net gain of financial assets and liabilities based on fair value	(28,560)	-
Interest expense	2,200,700	2,147,670
Interest revenue	(1,524,253)	(1,387,839)
Share of (profit) loss of associates and joint ventures accounted for using equity method	(12,726,562)	(15,515,623)
Gain on disposal of property, plant and equipment	(374,930)	31,540
Property, plant and equipment transferred to expense	12,160	-
Gain on disposal of investments	(20,055)	(4,538,705)
Unrealized profit (loss) from associates	5,605	13,492
Unrealized foreign exchange gain	(185,071)	(721,212)
Unclaimed dividend and overdue compensation of directors transferred to other income	(54,895)	(918)
Gain from price recovery of property, plant and equipment and non-financial assets	(4,667)	120,666
	3,457,749	(2,574,822)
Changes in operating assets and liabilities:		
Changes in operating assets		
Notes receivable	(1,182,990)	(1,114,678)
Accounts receivable (including related parties)	(3,850,530)	(8,086,596)
Other receivables	150,017	(793,881)
Inventories	(2,364,495)	(2,939,415)
Other current assets	(1,436,244)	554,421
Total changes in operating assets	(8,684,242)	(12,380,149)
Changes in operating liabilities		
Notes and accounts payable	(171,805)	(1,820,797)
Other payables	(703,199)	(1,053,922)
Other current liabilities	(339,758)	176,953
Accrued pension cost	(339,956)	(192,894)
Total changes in operating liabilities	(1,554,718)	(2,890,660)
Net changes in operating assets and liabilities	(10,238,960)	(15,270,809)
Total adjustments	(6,781,211)	(17,845,631)
Cash generated from operations	24,176,252	16,670,467
Interest received	1,553,896	1,306,614
Dividends received	2,175,466	7,128,769
Interest paid	(2,283,999)	(2,309,531)
Income taxes paid	(195,079)	(2,463,737)
Net cash provided by operating activities	25,426,536	20,332,582
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(4,300,005)	(7,053,280)
Proceeds from disposal of available for-sale financial assets	1,752,993	8,691,387
Proceeds from capital reduction from financial assets carried at cost	-	15,818
Acquisition of investments accounted for using equity method	(11,399,315)	(1,186,296)
Proceeds from disposal of investments accounted for using equity method	-	3,650,366
Acquisition of property, plant and equipment	(9,757,385)	(6,240,125)
Proceeds from disposal of property, plant and equipment	988,493	55,378
Increase in refundable deposits	(2,536)	952
Decrease (increase) in other receivables from related parties	(19,250,936)	39,768,464
Increase in other non-current assets	(4,331,277)	(3,849,901)
Net cash (used in) provided by investing activities	(46,299,968)	33,852,763
Cash flows from financing activities:		
(Decrease) increase in short-term borrowings	5,012,421	(5,136,088)
Increase in short-term notes and bills payable	4,499,306	(4,499,306)
Proceeds from issuance of bonds payable	31,262,271	14,966,816
Repayment of bonds payable	(17,500,000)	(18,000,000)
Increase in long-term debts	10,021,963	19,485,924
Repayment of long-term debts	(13,623,695)	(36,898,000)
(Decrease) increase in guarantee deposits	30,655	(28,250)
(Decrease) increase in other payables to related parties	1,900	16,700
(Decrease) increase in other non-current liabilities	18,715	8,695
Cash dividends paid	(2,353,884)	(15,069,990)
Changes in non-controlling interests	1,844,215	9,800
Net cash provided by (used in) financing activities	19,213,867	(45,143,699)
Effect of exchange rate fluctuations on cash held	865,120	3,043,697
Increase (Decrease) in cash and cash equivalents	(794,445)	12,085,343
Cash and cash equivalents, beginning of year	25,341,818	24,547,373
Cash and cash equivalents, end of year	$ 24,547,373	36,632,716

See accompanying notes to consolidated financial statements.

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2014
(All amounts are expressed in thousands of New Taiwan dollars except for per share information or unless otherwise specified)

1. Organization and principal activities

Nan Ya Plastics Corporation was incorporated on August 22, 1958, and established its factories in Kaohsiung City. The Consolidated Company engages in the manufacture and sale of plastic products, polyester fibers, petrochemical products, and electronic materials. The Consolidated Company has gone through several capital increases and established many divisions. Currently, the Consolidated Company has the following divisions: plastics, fiber, petrochemical, electronics, and engineering. The Consolidated Company has 10 manufacturing plants across Taiwan, 1 branch office in Mai-Liao and 1 branch office in Sen-Kong.

2. Approval date and procedures of the consolidated financial statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 25, 2015.

3. New and revised standards and interpretations

(a) 2013 version of International Financial Reporting Standards ("IFRSs") has been endorsed by the Financial Supervisory Commission of the Republic of China ("FSC") but not yet effective

On April 3, 2014, according to Rule No.1030010325 issued by the FSC, all listed companies, OTC companies and emerging stock companies are required to adopt the 2013 version of IFRSs issued by the International Accounting Standards Board ("IASB") as endorsed by the FSC (excluding IFRS 9 Financial Instruments) as they issue financial statements commencing from 2015. Related new, revised and amended standards and interpretations are listed below:

New standards and amendments	Effective date per IASB
Amended IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amended IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amended IFRS 1 "Government Loans"	January 1, 2013
Amended IFRS 7 "Disclosures—Transfers of Financial Assets"	July 1, 2011
Amend IFRS 7 "Disclosures—Offsetting Financial assets and Financial liabilities"	January 1, 2013
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 (effective date for investment entity will be January 1, 2014)

New standards and amendments	Effective date per IASB
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
Amended to IAS 1"Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amended IAS 12 " Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
Amendment to IAS 19 "Employee Benefits"	January 1, 2013
Amendment to IAS 27 "Separate Financial Statement"	January 1, 2013
Amended IAS 32 "Financial Assets and Liabilities Offsetting"	January 1, 2014
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

1. Except for the following items, the Consolidated Company believes that the adoption of aforementioned 2013 version of IFRSs endorsed by the FSC will not have any significant effect on the Consolidated Company's financial statements: Amendments to IAS 19, "Employee Benefits"

   The amendments to IAS 19 require the Consolidated Company to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS 19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when incurred, and instead, require recognition of all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, is expensed immediately when incurred and is no longer amortized over the average period before vested on a straight-line basis. In addition, instead of recognizing liability and expense only when the demonstrable benefit commitment is made, the amendments require the Consolidated Company to recognize liability and expense for termination benefit on (1) the date when the Consolidated Company can no longer withdraw the offer of the benefit; or (2) the date when the Consolidated Company recognizes related restructuring expense, whichever date is earlier. Moreover, the amendments also require a broader disclosure for defined benefit plans.

(Continued)

For the first-time adoption of 2013 version of IFRSs, the Consolidated Company's estimated adjustments resulting from the elimination of the corridor approach and recognition of unrecognized actuarial gains or losses are as follows:

Statement of financial position:

		Balances	Adjustment for the first-time adaption	Balances after adjustment
January 1, 2014：				
Investments accounted for using equity method	$	114,532,675	(36,280)	114,496,395
Deferred tax assets		6,430,974	114,875	6,545,849
Prepaid pension expense-non-current		1,014	117	1,131
Deferred tax liabilities		6,612,663	20	6,612,683
Accrued pension liabilities		24,818,051	675,734	25,493,785
Retained earnings		138,092,702	(566,925)	137,525,777
Non-Controlling Interests		12,896,183	(30,117)	12,866,066
December 31, 2014：				
Investments accounted for using equity method	$	129,204,326	691	129,205,017
Deferred tax assets		8,281,938	228,772	8,510,710
Prepaid pension expense-non-current		1,014	57	1,071
Deferred tax liabilities		7,817,402	10	7,817,412
Accrued pension liabilities		24,625,157	1,345,714	25,970,872
Retained earnings		154,809,420	(1,081,608)	153,727,811
Non-Controlling Interests		14,685,292	(34,596)	14,650,696

Statement of comprehensive income:

		Balances	Adjustment for the first-time adaption	Balances after adjustment
For the year ended December 31, 2014：				
Operating expenses	$	18,041,910	53,356	18,261,271
Share of other comprehensive income of associates and joint ventures under equity method		15,515,623	36,971	15,552,594
Income tax expense		1,699,345	(9,070)	1,690,275
Actuarial gain (loss) from defined contribution plans		-	(511,848)	(511,848)

2. IFRS 10 “Consolidated Financial Statements”

The standard replaced IFRS 27 in terms of the regulations concerning consolidated financial statements, while renaming IFRS 27 “Separate Financial Statements”, and abolishing SIC 12 “Special Purpose Entities”. Control was redefined, specifying that control of the investee company shall only be acquired when the three control elements have been met.

(Continued)

3. IFRS 11 Joint Arrangements

   IFRS 11 replaced IAS 31 "Interests in Joint Ventures". It abolishes the alternative of proportionate consolidation, and emphasizes that the judgment of the classification of joint venture or operation will not be subject to legal form, but rather the rights and obligations specified in the arrangement.

4. IAS 1 "Presentation of Financial Statements"

   This standard amended the presentation of other comprehensive income ("OCI"), under which, line items are presented according to those that,

   (a) Will not be reclassified subsequently to profit or loss; and

   (b) Will be reclassified subsequently to profit or loss.

   The amendments also require separate presentation of tax between those two categories of line items.

5. IFRS 12 "Disclosure of Interests in Other Entities"

   This standard requires a wide range of consolidated disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Disclosures are presented with detailed guidance on how the specifications stated in the standard were met. It also requires the Consolidated Company to disclose the information of the consolidated entities and unconsolidated entities.

6. IFRS 13 "Fair Value Measurement "

   This standard requires or permits fair value measurements or disclosures, provides a single IFRS framework for measuring fair value and requires disclosures on fair value measurement.

(b) The IFRSs issued by IASB but not yet endorsed by FSC.

New, revised and amended standards and interpretations for IFRSs issued by the IASB but not yet endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Prescribed by IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016

(Continued)

New, Revised or Amended Standards and Interpretations	Effective Date Prescribed by IASB
IFRS 14 "Regulatory Deferral Account"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS16 and IAS 41 "Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Amendments to IFRIC Interpretation 21 "Levies"	January 1, 2014

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

4. Summary of Significant Accounting Policies

The following significant accounting policies are adopted in the accompanying consolidated financial statements. Except for those additional accounting policy disclosures described herein, the significant accounting policies have been applied consistently to all the reporting periods presented in these financial statements.

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Guidelines) and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations and SIC interpretations (herein after referred to IFRSs as endorsed by the FSC).

(b) Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except for the following material items in the consolidated balance sheet.

(Continued)

1. Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments) ;

2. Available-for-sale financial assets are measured at fair value;

3. Defined benefit assets are recognized as plan assets, plus, unrecognized past service cost and unrecognized actuarial loss, less, unrecognized actuarial gain and the present value of the defined benefit obligation.

Functional and presentation currency

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

(c) Basis of consolidation

1. Principle of preparing consolidated financial statements

The consolidated financial statements comprise the Consolidated Company and its subsidiaries (the Consolidated Company).

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Change in ownership interest

Change in the Consolidated Company ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. List of subsidiaries included in the consolidated financial statements:

Investor	The name of subsidiaries	Business activity	December 31, 2013	December 31, 2014
The Company	Nan Ya Plastics Corporation U.S.A.	production of plastic products	100.00%	100.00%
The Company	Nan Ya Plastics Corporation America	production of plastic, polyester and chemical products	100.00%	100.00%
The Company	Formosa Plastics Group Investment Corp	investment	100.00%	100.00%
The Company	Nan Ya Plastics (Hong Kong) Co., Ltd.	plastics trading, investment holding	100.00%	100.00%
The Company	Superior World Wide Trading Co., Ltd.	plastics trading, investment holding	99.99%	99.99%
The Company	Nan Ya PCB Corporation	production of printed circuit board	66.97%	66.97%
The Company	Wen Fung Industrial Co., Ltd.	plastics processing	51.19%	100.00%
The Company	Nan Chung Petrochemical Corporation	production of chemical products	50.00%	50.00%
Nan Ya PCB Corporation	Nan Ya PCB (U.S.A.) Corporation	electronic materials repair	100.00%	100.00%
Nan Ya PCB Corporation	Nan Ya PCB (HK) Corporation	electronic materials trading, investment holding	100.00%	100.00%
Nan Ya PCB (HK) Corporation	Nan Ya PCB (Kunshan) Corporation	production of printed circuit board	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Nantong) Co., Ltd.	production of plastic products, production of steam and electricity	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electric (Nantong) Co., Ltd.	production of switch gear and control panel	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd.	production of plastic products	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	China Nantong Huafeng Co., Ltd.	production of plastic products	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nantong Huafu Plastics Co., Ltd.	production of plastic products	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	production of electronic materials	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Polyester Fiber (Kunshan) Corporation	production of polyester products	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Guangzhou) Co., Ltd.	production of polyester products	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Construction Materials (Guangzhou) Co., Ltd.	production of polyester products	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Rigid Film (Guangzhou) Co., Ltd.	production of polyester products	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Huizhou) Co., Ltd.	production of polyester products	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd.	production of polyester products	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd.	production of electronic materials	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Trading (Huizhou) Co., Ltd.	trading	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Hsiamen) Co., Ltd.	production of plastic products	85.00%	85.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd.	production of plastic products and plasticizer	100.00%	100.00%
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Anshan) Co., Ltd.	production of plastic products	100.00%	100.00%
Wen Fung Industrial Co., Ltd.	Wenling Technology Corporation	production of electronic components	100.00%	100.00%
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Property (Kunshan) Co., Ltd.	real estate development	100.00%	100.00%

(Continued)

The Consolidated Company holds the fifty-percent voting shares of Nan Chung Petrochemical Corporation, and the general manager of Nan Chung Petrochemical Corporation was designated by the Company. As the Consolidated Company has control over the operations of Nan Chung Petrochemical Corp, the Consolidated Company included Nan Chung Petrochemical Corporation, a subsidiary company, in the consolidated financial statements.

(d) Foreign currency

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

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

Foreign currency differences arising on translation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the translation:

- Available-for-sale equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

Foreign operations

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

(Continued)

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

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

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

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

1. The asset is expected to be realized, or sold or consumed, during the Consolidated Company's normal operating cycle;
2. The asset is held primarily for the purpose of trading;
3. The asset is expected to be realized within twelve months after the balance sheet date; or
4. The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

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

1. The liability is expected to be settled during the Consolidated Company's normal operating cycle;
2. The liability is held primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the balance sheet date; or
4. The Consolidated Company does not have any unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

(f) Cash and cash equivalents

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

(g) Financial instruments

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

1. Financial assets

Financial assets are categorized into financial assets at fair value through profit or loss, loans, receivables, and available-for-sale financial assets.

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

Financial assets classified under this category are mainly the financial assets held-for-trading, or designated as at fair value through profit or loss on initial recognition.

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. Financial assets, other than ones classified as held-for-trading, are designated as at fair value through profit or loss at initial recognition under one of the following situations:

A. Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

B. Performance of the financial asset is evaluated on a fair value basis;

C. A hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial assets in this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend and interest income, are recognized in profit or loss.

(Continued)

(2) Available-for-sale financial assets

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

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

Dividend income from equity investments is recognized when the Consolidated Company obtains the right to receive the dividend (usually the ex-dividend date) and is recognized in profit or loss, under other income of the results from non-operating activities.

Interest income from debt instruments is recognized in profit or loss, under other income of the results from non-operating activities.

(3) Loans and receivables

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

Interest income from receivables is recognized in profit or loss.

(4) Impairment of financial assets

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

(5) Derecognition of financial assets

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

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

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

2. Financial liabilities

(1) Classification of debt or equity instruments

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

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

Interests, gains and losses related to financial liabilities are recognized in profit or loss.

Financial liabilities are reclassified to equity on conversion, on which no gains or losses are recognized.

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

Financial liabilities classified under this category are mainly financial liabilities held-for-trading, or designated as at fair value through profit or loss on initial recognition.

(Continued)

Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. Financial liabilities, other than ones classified as held-for-trading, are designated as at fair value through profit or loss at initial recognition under one of the following situations:

(i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

(ii) Performance of the financial liabilities is evaluated on a fair value basis;

(iii) A hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial liabilities in this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which take into account any interest expense, are recognized in profit or loss.

Financial liabilities at fair value through profit or loss measured at cost, which are recognized as “Financial liabilities carried at cost”; include obligations to deliver equity investments that do not have a quoted price borrowed by a short seller.

Gains and losses on financial guarantee contracts and loan commitments that the Consolidated Company issues and designates as financial liabilities are recognized in profit or loss.

(3) Other financial liabilities

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

(4) Derecognition of financial liabilities

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

(5) Offsetting of financial assets and liabilities

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

(Continued)

(h) Inventories

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

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

(i) Investment in associates

Associates are those entities in which the Consolidated Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Consolidated Company holds between 20% and 50% of the voting power of another entity.

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

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

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

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

(j) Joint controlled entities

Jointly controlled entity is an entity which is established as a result of a contractual arrangement between the Consolidated Company and other joint venture partners to jointly control over its financial policy and operating policy. Consensus for all decisions must be obtained from the joint venture partners. The Consolidated Company uses equity method to account for the jointly controlled entity.

(Continued)

(k) Property, plant and equipment

1. Recognition and measurement

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

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

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

2. Subsequent cost

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

3. Depreciation

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

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

(Continued)

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

(1) Buildings: 25 to 50 years.

(2) Machinery and equipment: 7 to 15 years.

(3) Miscellaneous equipment: 7 to 15 years.

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

(l) Technical cooperation fee and long-term prepaid rental expense

1. Technical cooperation fee and long-term prepaid rental expense

Technical cooperation fee and long-term prepaid rental expense are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3. Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets and the term of lease for long-term prepaid rental expense, other than goodwill and intangible assets with indefinite useful life, from the date that they are made available for use. The estimated useful lives for the current and comparative periods are as follows:

(1) Technical cooperation fee	5~10 years
(2) Long-term prepaid rental expense	50 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life and long-term prepaid rental expense are reviewed at least annually at each fiscal year-end. Any change thereof is accounted for as a change in an accounting estimate.

(Continued)

(m) Impairment – Non-financial assets

Assessment is made as to whether impairment occurred in non-financial assets (except for inventories, deferred income tax assets and employee benefits) at each reporting date, and the recoverable amount thereof is estimated. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the recoverable amount is determined for the asset's cash-generating units (CGUs).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such reduction is treated as an impairment loss, which is charged to profit or loss.

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

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

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

(n) Treasury stock

Repurchased shares are recognized as treasury shares (a contra-equity account) based on its repurchase price (including all directly attributable costs), and net of tax. Gain on disposal of treasury shares is recognized under capital surplus – treasury shares transactions. Loss on disposal of treasury shares is offset against existing capital surplus arising from similar types of treasury shares transactions. If capital surplus is insufficient for offset, the deficiency is charged to retained earnings. The carrying value of treasury shares is calculated using the weighted average calculation of different types of repurchased shares.

(Continued)

If treasury shares are cancelled, capital surplus – share premiums and common stocks are debited proportionately. Gain on cancellation of treasury shares is recognized under existing capital surplus arising from similar types of treasury shares transactions. Loss on cancellation of treasury shares is offset against existing capital surplus arising from similar types of treasury shares transactions. If the capital surplus is insufficient for offset, then such loss is charged to retained earnings.

(o) Revenue recognition

Revenue from the sale of goods in the course of ordinary business activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.
The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. International shipments transfer usually occurs upon loading the goods onto the relevant carrier at the port. Generally for such products the customer has no right of return. For domestic sales, transfers occur upon receipt by the customer.

(p) Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

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

(Continued)

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average vesting period until the benefits become vested. To the extent that the benefits vest immediately, pension cost is recognized immediately in profit or loss.

Also, the Consolidated Company recognizes a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

(1) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and

(2) 10% of the fair value of any plan assets at that date.

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

3. Other long-term employee benefits

The Consolidated Company’s net obligation in respect of long-term employee benefits other than pension plans is the estimated amount of the discounted present value of future benefit that employees have earned in return for their service in the current and prior periods, and the fair value of any related assets is deducted from discounted present value of future benefit. The discount rate is the yield at the reporting date of government bonds that have maturity dates approximating the terms of the Consolidated Company’s obligations. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(Continued)

4. Termination benefits

   Termination benefits are recognized as an expense when the Consolidated Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Consolidated Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then benefits payable are discounted to their present value.

5. Short-term employee benefits

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

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

(q) Share–based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period when employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for the differences between expected and actual outcomes.

For cash-settled awards (such as a share appreciation right), the Consolidated Company measures the fair value of the goods or services and recognizes expenses and liabilities during the period when employees can receive returns unconditionally. The Consolidated Company remeasures the fair value of the award at each reporting period date and on settlement, and any changes in fair value are recognized in personnel expenses under income or losses.

(Continued)

(r) Income taxes

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

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

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

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

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

3. The initial recognition of goodwill.

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

Deferred tax assets and deferred tax liabilities are offset only if:

1. the Consolidated Company has a legal enforceable right to set off current tax assets against current tax liabilities; and

2. the deferred tax assets and the deferred liabilities relate to income taxes levied by the same taxation authority on either:

   (1) the same taxable entity; or

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

(Continued)

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

(s) Earnings per share

The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Consolidated Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Consolidated Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. The Consolidated Company's potentially dilutive ordinary shares comprise employee share options.

(t) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may incur revenues and incur expenses. Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The consolidated financial statements are prepared in conformity with the IFRS endorsed by the FSC, under which, management make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The assumptions and estimation uncertainties which may result in a material adjustment in the following year are included in note 6(12) "Employee Benefits".

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Description of the significant accounts

(1) Cash and Cash Equivalents

		December 31, 2013	December 31, 2014
Cash on hand	$	12,715	1,860
Cash in banks		15,848,618	24,780,577
Time deposits		7,151,097	10,636,097
Cash equivalents		1,534,943	1,214,182
Cash and cash equivalents	$	**24,547,373**	**36,632,716**

Please refer to note 6(19) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Consolidated Company.

(2) Financial Assets

(a) Financial assets consisted of the following:

		December 31, 2013	December 31, 2014
Available-for-sale financial assets－current:			
Stocks	$	40,873,974	36,115,611
Funds		2,289,023	4,727,056
	$	**43,162,997**	**40,842,667**
Available-for-sale financial assets－non-current:			
Stocks	$	9,292,514	21,203,827
Bonds and others		1,223,200	1,288,022
	$	**10,515,714**	**22,491,849**
Financial assets carried at cost－non-current:			
Stocks	$	**3,009,879**	**2,998,687**

Please refer to note 6(19) for information on the Consolidated Company's exposure to credit, currency, and interest rates risk relating to financial instruments.

Please refer to note 8 for the details of financial assets pledged as collateral as of December 31, 2013 and 2014.

The financial assets reported at cost are measured at cost since there is no quoted market price and the fair value cannot be reliably measured.

(Continued)

(b) Sensitivity analysis－equity price risk

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

	For the year ended December 31			
	2013		2014	
Security price on reporting date	Other comprehensive income (after tax)	Income (after tax)	Other comprehensive income (after tax)	Income (after tax)
Increase of 1%	$ 501,664	-	573,194	-
Decrease of 1%	$ (501,664)	-	(573,194)	-

(3) Notes receivable, accounts receivable and other receivables

	December 31, 2013	December 31, 2014
Notes receivable	$ 6,976,694	8,103,467
Accounts receivable	38,216,728	46,738,292
Other receivables	65,478,853	26,585,495
Overdue receivables	42,166	67,338
Allowance for doubtful receivables	(455,612)	(509,992)
Total	$ 110,258,829	80,984,600

Movements of the allowance for doubtful receivables were as follows:

	For the year ended December 31	
	2013	2014
Balance, beginning of year	$ 771,763	455,612
Reversal of impairment	(270,873)	46,836
Write-off	(69,213)	(10,463)
Effect of exchange rate changes	23,935	18,007
Balance, end of year	$ 455,612	509,992

The Consolidated Company estimates doubtful receivables and recognizes impairment allowance based on aging analysis, historical default rates and analysis of clients' financial situation.

(Continued)

Aging schedule analysis of overdue notes receivable, accounts receivables, and other receivables of the consolidated company were as follows:

	For the year ended December 31	
	2013	2014
1~3 months overdue	$ 327,340	573,718
3~6 months overdue	117,116	236,214
6~12 months overdue	77,036	101,870
More than a year's overdue	54,734	82,613
Balance, end of year	$ 576,226	994,415

As of December 31, 2013 and 2014, notes receivable and accounts receivable which were overdue or under legal proceedings amounted to $42,166, and $67,338, respectively. Such receivables were reclassified to overdue receivables under other assets and provided with a full impairment loss provision.

The Consolidated Company signed without-recourse factoring and financing contracts with financial institutions. According to these contracts, the net accounts receivable that have matured but are still uncollected will be paid by the financial institutions, except for those affected by trade disputes. As of December 31, 2013 and 2014, the outstanding accounts receivable factoring transactions between the Consolidated Company and the financial institutions were as follows:

		December 31, 2013		
	Factoring Purchaser	Factoring Balance	Prepaid Amount	Factoring Credit limit
Gold Circuit Electronics Co., Ltd.	E. Sun Bank	$ 70,001	-	200,000
First Hi-tec Enterprise Co., Ltd.	E. Sun Bank	15,497	-	45,000
WUS Printed Circuit Co., Ltd.	CTBC Bank	5,741	-	10,000
		$ 91,239		

		December 31, 2014		
	Factoring Purchaser	Factoring Balance	Prepaid Amount	Factoring Credit limit
Gold Circuit Electronics Co., Ltd.	E. Sun Bank	$ 61,040		100,000

(Continued)

(4) Inventories, net

As December 31, 2013 and 2014, the components of inventories were as follows:

	December 31, 2013	December 31, 2014
Finished goods	$ 12,337,761	12,327,029
Work in process	10,978,716	10,284,693
Machinery and accessories in process	7,354,491	10,735,048
Raw materials	11,382,955	11,050,246
Supplies	530,459	612,712
Consigned-out raw materials	1,849,795	165,260
Consigned-out finished goods	39,393	46,858
Goods in transit	435,728	1,757,817
Others	310,982	400,000
Total	**$ 45,220,280**	**47,379,663**

For the year ended December 31, 2013 and 2014, cost of sales recognized in consolidated statement of comprehensive income amounted to $278,557,734 and $296,326,995, respectively.

As the net realizable value of inventories has increased because the factor that caused the inventory devaluation in the prior period was no longer present, the Consolidated Company recognized a gain from recovery in the value of inventories of $219,277 for the year ended December 31, 2013, which was credited to cost of goods sold. However, the revaluation inventory to net realizable value as of December 31, 2014, resulted in a loss on inventory revaluation of $99,561, which was debited to cost of goods sold for the year ended December 31, 2014.

None of the inventory was pledged as collateral as of December 31, 2013 and 2014.

(5) Investments accounted for using equity method

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

	December 31, 2013	December 31, 2014
Associates	$ 109,864,275	124,436,312
Jointly controlled entities	4,668,400	4,768,014
	$ 114,532,675	**129,204,326**

(Continued)

a. Associates

On January 17, 2014, the Consolidated Company sold for $3,650,366 their ownership of 47,700 thousand equity shares of Formosa Petrochemical Corporation, and resulted in a profit of $2,538,951, which was charged to profit or loss under gain on disposal of investments". The said profit is net of the related components previously charged to other comprehensive income and capital surplus .

On September 16, 2014, the Consolidated Company restructured its investment portfolio, exchanged ownership of 14.75% equity shares of affiliated company, "Formosa Ha Tinh Steel Corporation", held by Nan Ya Plastics Corporation for 508,236,725 ordinary shares or 14.75% equity ownership of Formosa Ha Tinh (Cayman) Limited.

The market prices and carrying value of investments in publicly traded shares of stock of associates were as follows:

	December 31, 2013	December 31, 2014
Fair value	$ 223,096,517	227,054,264
Book value	$ 61,713,510	71,958,554

For the years ended December 31, 2013 and 2014, the Consolidated Company's share of net income (loss) of associates is as follows:

	For the year ended December 31	
	2013	2014
The Consolidated Company's share of net income of associates	$ 12,686,633	15,396,180

The financial information in respect of the Consolidated Company's associates was as follows (before adjustment to the Consolidated Company's proportionate share):

	December 31, 2013	December 31, 2014
Total assets	$ 746,789,314	1,032,044,085
Total liabilities	$ 379,527,959	514,408,696

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	For the year ended December 31	
	2013	2014
Net revenue	$ 1,062,082,733	1,044,538,313
Net income (loss) for the period	$ 46,711,556	45,186,727

(a) Aforementioned information of associates was derived from financial statements audited by auditors.

(b) The unrealized translation gain or loss arising from the translation of the financial statements of foreign subsidiaries, which was determined on exchange rates as of December 31, 2013 and 2014, was recognized in comprehensive income.

(c) The unrealized sales profits and unrealized gain on disposal of fixed assets from downstream transactions with investees under the equity method are treated as deductions from gross income and gain on disposal of fixed assets. The realized sales profits from downstream sales are added to gross income. Details of these transactions are disclosed in note 7.

(d) The Consolidated Company, which invested in "Formosa Automobile Corporation", an investee accounted for under the equity method, recognized gains of $33,806 and $21,309 from this investment for the years ended December 31, 2013 and 2014, respectively. As of December 31, 2013 and 2014, the Consolidated Company's cumulative loss from this investment had already exceeded the book value of the investment by $144,897, and $123,588, respectively.

As the Consolidated Company intends to support those investee companies, the investments in these investees were offset against related accounts receivable—related parties. As the balances of accounts receivable—related parties from "Formosa Automobile Corporation" were $0 as of December 31, 2013 and 2014, such offset resulted in credit balances to the investments in these investees of $144,897 and $123,588, respectively, which were reclassified to non-current other liabilities.

(Continued)

b. Jointly controlled entities

The Consolidated Company invested jointly with PPG Industries Corporation, CV.SANTOSO, Kyowa Leather Cloth Co., Ltd., and Shankuan Industries Corporation (Hong Kong) in PFG Fiber Glass Corporation and PFG Fiber Glass (H.K.) Co., Ltd., PT. Indonesia Nan Ya Indah Plastics Corporation, Nan Ya Kyowa Plastics Corporation, and Nan Ya Zhengzhou Plastics Corporation, respectively. As the Consolidated Company is unable to exercise full control over the operating policy, technology, selling policy and management of these joint venture entities which were dominated by the joint venture entities, the Consolidated Company's investments in these investees were accounted for using equity method.

The financial information in respect of the Consolidated Company's jointly controlled entities was as follows (before adjustments to the Consolidated Company's proportionate share):

	December 31, 2013	December 31, 2014
Current assets	$ 4,664,386	4,266,526
Non-current assets	16,243,313	16,221,035
Current liabilities	6,743,037	7,741,089
Non-current liabilities	4,849,583	3,194,997

	For the year ended December 31	
	2013	2014
Net revenue (including non-operating income)	$ 10,501,779	11,896,214
Expenses (including non-operating expenses)	10,400,154	11,663,780

For the years ended December 31, 2013 and 2014, the Consolidated Company's share of net income of jointly controlled entities was as follows:

	For the year ended December 31	
	2013	2014
The Consolidated Company's share of net income of jointly controlled entities	$ 39,929	119,443

c. Collateral

Please refer to note 8 for investments accounted for using equity method which were pledged to banks or courts as collateral to secure the Consolidated Company's bank loans and lawsuits as of December 31, 2013 and 2014.

(Continued)

(6) Property, Plant and Equipment

The cost, depreciation, and impairment of property, plant and equipment of the Consolidated Company for the years ended December 31, 2013 and 2014 were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Other facilities	Construction in progress	Total
Cost or deemed cost:							
Balance on January 1, 2013	$ 9,877,576	50,747,857	278,508,181	1,604,596	10,623,565	23,586,749	374,948,524
Additions	-	475,092	2,567,564	16,420	53,289	6,645,020	9,757,385
Reclassification	139,137	149,603	3,813,911	5,815	270,175	(2,260,018)	2,118,623
Disposals	(116,790)	(2,416)	(1,463,865)	(49,471)	(110,058)	(326,390)	(2,068,990)
Effect of exchange rate changes	1,717	1,050,065	5,100,886	19,298	222,724	879,355	7,274,045
Balance on December 31, 2013	$ 9,901,640	52,420,201	288,526,677	1,596,658	11,059,695	28,524,716	392,029,587
Balance on January 1, 2014	$ 9,901,640	52,420,201	288,526,677	1,596,658	11,059,695	28,524,716	392,029,587
Additions	-	273	496,296	6,606	83,382	5,653,568	6,240,125
Reclassification	13,715	2,596,568	12,799,571	41,302	352,424	(13,332,885)	2,470,695
Disposals	-	(48,086)	(1,758,449)	(30,556)	(172,015)	(498)	(2,009,604)
Effect of exchange rate changes	4,334	1,363,146	6,552,141	25,019	238,369	683,934	8,866,943
Balance on December 31, 2014	$ 9,919,689	56,332,102	306,616,236	1,639,029	11,561,855	21,528,835	407,597,746
Depreciation and impairment loss							
Balance on January 1, 2013	$ -	22,914,410	196,129,963	1,419,825	7,274,561	-	227,738,759
Depreciation for the period	-	1,777,964	12,271,919	41,923	652,519	-	14,744,325
Reversal of impairment	-	-	(4,667)	-	-	-	(4,667)
Reclassification	-	-	(14,312)	99	14,111	-	(102)
Disposals	-	(1,870)	(1,283,196)	(48,638)	(109,563)	-	(1,443,267)
Effect of exchange rate changes	-	385,270	2,649,499	13,708	135,355	-	3,183,832
Balance on December 31, 2013	$ -	25,075,774	209,749,206	1,426,917	7,966,983	-	244,218,880
Balance on January 1, 2014	$ -	25,075,774	209,749,206	1,426,917	7,966,983	-	244,218,880
Depreciation for the period	-	1,859,861	12,811,136	41,840	613,506	-	15,326,343
Loss from impairment	-	-	85,179	184	687	-	86,050
Reversal of impairment	-	-	(519)	-	-	-	(519)
Reclassification	-	(55)	(14,567)	(985)	16,291	-	684
Disposals	-	(45,231)	(1,682,955)	(29,851)	(164,649)	-	(1,922,686)
Effect of exchange rate changes	-	564,718	4,063,337	19,382	162,406	-	4,809,843
Balance on December 31, 2014	$ -	27,455,067	225,010,817	1,457,487	8,595,224	-	262,518,595
Carrying amounts：							
Balance on January 1, 2013	$ 9,877,576	27,833,447	82,378,218	184,771	3,349,004	23,586,749	147,209,765
Balance on December 31, 2013	$ 9,901,640	27,344,427	78,777,471	169,741	3,092,712	28,524,716	147,810,707
Balance on December 31, 2014	$ 9,919,689	28,877,035	81,605,419	181,542	2,966,631	21,528,835	145,079,151

a. Please refer to note 8 for the property, plant and equipment pledged to secure bank loans as of December 31, 2013 and 2014.

b. For the years ended December 31, 2013 and 2014, the capitalized interest on borrowings for the purchase of the property, plant and equipment of the Consolidated Company amounted to $215,133and $194,409, respectively. The capitalized interest rate ranged from 0.44% to 1.65% and 1.0549% to 2.1431% for the years ended December 31, 2013 and 2014, respectively.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Short-term notes and bills payable

	December 31, 2013	December 31, 2014
Short-term notes and bills payable	$ 4,500,000	-
Discount on short-term notes and bills payable	(694)	-
Total	$ 4,499,306	-
Interest rate	0.532%~0.602%	-

(8) Short-term borrowings

	December 31, 2013	December 31, 2014
Unsecured short-term borrowings	$ 14,337,560	9,201,472
Interest rate	0.74%~3.92%	0.86%~2.3326%

(9) Long-term debts

Long-term debts consisted of the following:

	December 31, 2013			
	Currency	Interest rate	Expiration	Amount
Secured long-term debts	TWD	1.3%~1.5611%	2014~2016	$ 24,976,932
Unsecured long-term debts	TWD	1.0388%~1.5232%	2014~2017	16,400,000
Unsecured long-term debts	USD	0.6385%~2.3%	2014~2018	10,946,518
Current portion	TWD			(22,718,829)
Total				$ 29,604,621

	December 31, 2014			
	Currency	Interest rate	Expiration	Amount
Secured long-term debts	TWD	1.3%~1.6611%	2016~2021	$ 12,734,688
Unsecured long-term debts	TWD	1.1979%~1.4668%	2015~2017	12,042,857
Unsecured long-term debts	USD	0.7891%~2.35%	2015~2018	10,133,829
Current portion	TWD			(4,919,981)
Total				$ 29,991,393

Please refer to note 6(19) for information on the Consolidated Company's exposure to liquidity risk, and risk of changes in interest rates and liquidation risk.

a. Pledged assets for bank loans

Refer to note 8 for information on the Consolidated Company's assets pledged to secure loans.

(Continued)

b. Secured debts

(i) In order to raise funds to repay debts and for reinvestments, new factory construction plans, and foreign and domestic equipment acquisitions, the Consolidated Company signed a syndicated long-term mortgage loan agreement with Bank of Taiwan, the lead bank of the syndicated loan, and other banks on November 14, 2013. The key terms and conditions of the loan agreement are as follows:

(a) Credit line: NT$6,000,000

(b) Interest rate: as settled with each participating bank.

(c) Period: 7 years (including a 3-year grace period)

(d) Collateral: the acquired land financed by the loan.

(e) The financial covenants under this loan agreement include the requirement to maintain certain financial ratios based on the audited annual financial reports. Failure to comply with these financial covenants may cause the syndicated banks to terminate the credit line or declare the unpaid principal and interest under the loan agreement to be immediately due and payable. These financial ratios are as follows:

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

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

The Consolidated Company did not breach the above mentioned financial covenants in respect of its financial statements as of December 31, 2014.

As of December 31, 2014, NT$6,000,000 of the credit line had been drawn.

(10) Unsecured bonds payable

	December 31, 2013	December 31, 2014
Domestic unsecured nonconvertible corporate bonds	$ 74,000,000	71,000,000
Foreign unsecured nonconvertible corporate bonds	17,370,803	18,396,394
Costs of issuing bonds	(168,821)	(143,473)
Current portion	(17,987,255)	(25,660,654)
Total	$ 73,214,727	63,592,267

(Continued)

The terms of domestic corporate bonds as of December 31, 2013 were as follows:

	The first domestic unsecured nonconvertible corporate bond in 2010	The second domestic unsecured nonconvertible corporate bond in 2010	The third domestic unsecured nonconvertible corporate bond in 2010	The first domestic unsecured nonconvertible corporate bond in 2011	The second domestic unsecured nonconvertible corporate bond in 2011	The first domestic unsecured nonconvertible corporate bond in 2012
Issued amount	NT$ 6,000,000	NT$ 4,000,000	NT$ 6,000,000	NT$ 6,000,000	NT$ 4,000,000	NT$ 6,800,000
Balance, end of year	2,998,471	1,998,629	2,997,453	5,995,418	3,996,229	6,790,895
Current portion	2,998,471	1,998,629	2,997,453	2,997,709	1,998,114	-
Issuance date	June 25, 2010	August 30, 2010	November 12, 2010	June 27, 2011	November 7, 2011	July 4, 2012
Issuance period	5 years	5 years	5 years	5 years	5 years	5 years and 7 years
Coupon rate	1.56%	1.56%	1.27%	1.43%	1.35%	1.36% and 1.45%
Interest payment date	June 25	August 30	November 12	June 27	November 7	July 4
Repayment method	Payable in 2 equal installments for each coupon rate in 2014~2015, respectively.	Payable in 2 equal installments for each coupon rate in 2014~2015, respectively	Payable in 2 equal installments for each coupon rate in 2014~2015, respectively.	Payable in 2 equal installments for each coupon rate in 2015 and 2016, respectively.	Payable in 2 equal installments for each coupon rate in 2015 and 2016, respectively.	Payable in 2 equal installments for each coupon rate in 2016~2017 and 2018~2019, respectively.

	The second domestic unsecured nonconvertible corporate bond in 2012	The third domestic unsecured nonconvertible corporate bond in 2012	The first domestic unsecured nonconvertible corporate bond in 2013	The second domestic unsecured nonconvertible corporate bond in 2013	The first domestic unsecured nonconvertible corporate bond in 2014	The second domestic unsecured nonconvertible corporate bond in 2014
Issued amount	NT$ 5,200,000	NT$ 6,000,000	NT$9,600,000	NT$ 10,400,000	NT$ 10,000,000	NT$ 5,000,000
Balance, end of year	5,191,958	5,989,362	9,582,755	10,376,375	9,975,568	4,992,461
Current portion	-	-	-	-	-	-
Issuance date	September 7, 2012	February 25, 2012	August 5, 2013	December 18, 2013	June 24, 2014	November 11, 2014
Issuance period	5 years and 7 years	7 years and 10 years	4 years, 5 years and 7years	10 years and 12 years	15 years	5 years and 10 years
Coupon rate	1.25% and 1.37%	1.36% and 1.5%	1.4%, 1.45% and 1.5%	1.98% and 2.08%	2.04%	1.45% and 1.93%
Interest payment date	September 7	February 25	August 5	December 18	June 24	November 11
Repayment method	Payable in 2 equal installments for each coupon rate in 2016~2017 and 2018~2019, respectively.	Payable in 2 equal installments for each coupon rate in 2018~2019 and 2021~2022, respectively	Payable in 2 equal installments for each coupon rate in 2016~2017, 2017~2018 and 2019~2020, respectively	Payable in 2 equal installments for each coupon rate in 2022~2023 and 2024~2025, respectively	Payable in 2 equal installments for each coupon rate in 2028 and 2029, respectively.	Payable in 2 equal installments for each coupon rate in 2018~2019 and 2023~2024, respectively

The details of Nan Ya Plastics (Hong Kong) Co., Ltd's overseas corporate bond were as follows:

	For the year ended December 31	
	2013	2010
Issued amount	USD$ 180,000 thousand	USD$ 400,000 thousand
Issuance date	2013.8.5	2010.10.26
Issuance period	5 years	5 years
Coupon rate	3 month LIBOR+1.1%	3 month LIBOR+0.8%
Interest payment date	February 5, May 5, August 5, and November 5	January 26, April 26, July 26, and November 26
Bondholders with a put option	The bondholders bear no right to request the Consolidated Company to redeem the bond.	The bondholders bear no right to request the Consolidated Company to redeem the bond.
Issuer with a redemption option	The bond issuer bears the right to request the holders to redeem all outstanding bonds if the issuer needs to pay extra tax due to change in laws and regulations.	The bond issuer bears the right to request the holders to redeem all outstanding bonds if the issuer needs to pay extra tax due to change in laws and regulations.

(Continued)

(11) Employee Benefits

a. Defined benefit plan

The amounts arising from the defined benefit obligation of the Consolidated Company were as follows:

	December 31, 2013	December 31, 2014
Present value of defined benefit obligation	$ 26,222,064	26,773,599
Fair value of plan assets	856,413	890,915
Funded status	25,365,651	25,882,684
Unrecognized actuarial gains and losses	(547,600)	(1,257,527)
Accrued pension liability	$ **24,818,051**	**24,625,157**

Some entities of the Consolidated Company have established an employee defined benefit retirement plan covering full-time employees. Under this plan, contributions are made to an independent fund that is deposited with Bank of Taiwan. Payments of retirement benefits to employees who are eligible for retirement are based on years of service and the average salary for the last six months before the employee's retirement according to the Labor Standards Law.

(i) Composition of plan assets

The Labor Pension Fund Supervisory Committee manages the Consolidated Company's pension fund which is being funded according to the Labor Standards Law. Under the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, this fund is required to distribute minimum income but such minimum income shall not be less than the interest income derived from two-year time deposit with the local banks.

As of December 31, 2014, the Consolidated Company's pension fund with Bank of Taiwan amounted to $760,099. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Movements in the present value of the defined benefit obligation

Movements in the present value of the defined benefit obligation were as follows:

	For the year ended December 31	
	2013	**2014**
Balance, beginning of year	$ 26,465,910	26,222,064
Benefits paid from plan assets	(1,193,892)	(1,053,127)
Current service cost and interest cost	846,979	883,330
Increase from transfer of related party employees	33,678	8,451
Actuarial loss	66,354	718,391
Cumulative effect of settlement		(12,745)
Effect of exchange rate changes	3,035	7,235
Balance, end of year	$ 26,222,064	26,773,599

(iii) Movements in the fair value of the plan assets

Movements in the fair value of the plan assets were as follows:

	For the year ended December 31	
	2013	**2014**
Balance, beginning of year	$ 831,218	856,413
Contributions from employer	352,843	352,267
Benefits paid	(349,269)	(348,436)
Expected return on plan assets	17,135	18,866
Actuarial gain	1,750	6,641
Cumulative effect of settlement		(1,964)
Effect of exchange rate changes	2,736	7,128
Balance, end of year	$ 856,413	890,915

(iv) Pension costs recognized in profit or loss

The pension costs of the defined benefit plans recognized in profit or loss were as follows:

	For the year ended December 31	
	2013	**2014**
Current service cost	$ 409,512	384,549
Interest cost	437,467	498,781
Past service cost	207	-
Expected return on plan assets	(17,135)	(18,866)
	$ 830,051	**864,464**

(Continued)

	For the year ended December 31	
	2013	2014
Cost of sales	$ 633,710	665,313
Selling expenses	31,683	32,809
Administrative expenses	164,658	166,342
	$ 830,051	864,464
Actual return on plan assets	$ 18,885	25,507

(v) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	For the year ended December 31	
	2013	2014
Discount rate on December 31	1.90%~5.50%	2.00%~4.50%
Expected rate of return on plan assets on January 1	1.65%~4.75%	2.00%~5.50%
Rate of future salary increase	2.50%~3.50%	2.50%~3.50%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories.

(vi)Historical information of experience adjustments

	January 1, 2012	December 31, 2012
Present value of defined benefit obligation	$ 25,590,889	26,465,910
Fair value of plan assets	(789,361)	(831,218)
Funded status	$ 24,801,528	25,634,692
Experience adjustments arising on the present value of defined benefit plans	$ -	484,507
Experience adjustments arising on the fair value of the plan assets	$ -	11,838

	December 31, 2013	December 31, 2014
Present value of defined benefit obligation	$ 26,222,064	26,773,599
Fair value of plan assets	(856,413)	(890,915)
Funded status	$ 25,365,651	25,882,684
Experience adjustments arising on the present value of defined benefit plans	$ 66,354	718,391

(Continued)

Experience adjustments arising on the fair value of the plan assets	$ (1,750)	(6,641)

(vii) In calculating the present value of the defined benefit plan, the Consolidated Company's management exercised judgment and made some estimates to determine relevant actuarial assumptions, such as employee turnover and future salary adjustments. Any change in the actuarial assumption may significantly affect the amount of defined benefit obligation.

b. Defined contribution plan

The Labor Pension Act ("The Act") prescribes a defined contribution plan. Pursuant to the Act, the Company, and its subsidiaries namely, Nan Ya PCB Corp., Wen Fung Industrial Corp., Nan Chung Petrochemical Corp., and Wenling Technology Corp., have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

Nan Ya Plastics Corporation America and Nan Ya PCB (U.S.A.) Corporation adopt a Defined Contribution Plan and periodically provide contributions thereon according to local law. Those contributions are recognized as an expense on an accrual basis.

Subsidiaries in China are governed by China laws and regulation. Based on China laws and regulation, those companies contribute for employees' pension benefits at rates ranging from 6% to 20% of salary every month and remit those contributions to the related authority.

The Consolidated Company's pension costs under the defined contribution pension plan amounted to $939,828 and $1,081,687 for the years ended December 31, 2013 and 2014, respectively.

(12) Income Tax

a. Income tax expense

The details of income tax expense for the years ended December 31, 2013 and 2014 were as follows:

	For the year ended December 31	
	2013	**2014**
Current income tax expense		
Current tax expense recognized in the current year	$ 4,429,995	2,698,761
Income tax adjustments on prior years	168,636	19,336
Deferred tax expense (benefit)		
The origination and reversal of temporary differences	1,295,132	(1,018,752)
Total income tax expense	$ 5,893,763	1,699,345

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The income tax expense related to components of other comprehensive income for the years ended December 31, 2013 and 2014 was as follows:

	For the year ended December 31	
	2013	2014
Exchange differences on translation of foreign financial statements	$ 106,376	287,303

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

	For the year ended December 31	
	2013	2014
Income before tax	$ 30,957,463	34,516,098
Income tax calculated on accounting income at a statutory rate	$ 7,226,088	6,847,328
Effect of difference in income tax rate between foreign investee and the Consolidated Company	1,306,582	1,795,218
Tax effect of tax-exempt dividend income	(116,197)	(216,714)
Tax effect of loss realized from investments		(4,016,153)
Tax effect of tax-exempt income	(71,618)	(584,206)
Tax effect of unrecognized deferred assets of tax losses	171,222	18,954
Tax effect of unrecognized temporary differences	(10,266)	60
Income tax expense arising from investment income in jointly controlled entities	12,335	193,503
Tax effect of investment income recognized under equity method	(2,163,371)	(3,011,696)
Tax effect of investment tax credits	(725,987)	1,070
Differences between estimated and actual income tax and income tax adjustments on prior years	168,801	(55,966)
Additional income tax under the Alternative Minimum Tax Act	-	41,759
10% surtax on undistributed earnings	65,351	767,587
Tax effect of stock dividend from foreign investee	43,711	-
Other income tax adjustments	(12,888)	(81,399)
Income tax expense	$ (5,893,763)	1,699,345

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

b. Deferred tax assets and liabilities

(i) Unrecognized deferred tax assets

The component of unrecognized deferred tax assets was as follows:

	December 31, 2013	December 31, 2014
Tax benefit of loss carryforwards	$ 171,222	18,954

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

As of December 31, 2014, the Consolidated Company's operating losses available for carryforward consisted of the following:

Occurrence year	Remaining creditable amount	Expiry year
2005	$ 12,729,236	2015
2006	41,760,387	2016
2008	11,553,711	2018
2009	176,100,554	2019
2010	33,281,877	2020
2011	23,925,025	2021
2012	40,108,354	2022
2013	18,474,329	2023
2014	21,392,064	2024
	$ 379,325,537	

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Recognized deferred tax assets and liabilities

Movements in deferred tax assets and liabilities were as follows:

Deferred tax liabilities:

	Foreign investment income recognized under equity method	Investment income from foreign jointly controlled entities	Others	Total
Balance on January 1, 2013	$ 4,658,427	150,705	642,905	5,452,037
Recognized in profit or loss	1,321,712	12,335	(214,892)	1,119,155
Recognized in comprehensive income	-	-	41,471	41,471
Balance on December 31, 2013	**$ 5,980,139**	**163,040**	**469,484**	**6,612,663**
Balance on January 1, 2014	$ 5,980,139	163,040	469,484	6,612,663
Recognized in profit or loss	969,061	(92,528)	218,046	1,094,579
Recognized in comprehensive income	-	-	110,160	110,160
Balance on December 31, 2014	**$ 6,949,200**	**70,512**	**797,690**	**7,817,402**

Deferred tax assets:

	Investment tax credits	Pension	Idle capacity	Others	Total
Balance on January 1, 2013	$ 1,146,604	4,263,801	98,382	1,257,358	6,766,145
Recognized in profit or loss	193,855	(53,651)	(20,524)	(297,006)	(177,326)
Recognized in comprehensive income	-	-	-	(157,845)	(157,845)
Balance on December 31, 2013	**$ 1,340,459**	**4,210,150**	**77,858**	**802,507**	**6,430,974**
Balance on January 1, 2014	$ 1,340,459	4,210,150	77,858	802,507	6,430,974
Recognized in profit or loss	(713,343)	(30,896)	4,202	2,878,304	2,138,267
Recognized in comprehensive income	-	-	-	(287,303)	(287,303)
Balance on December 31, 2014	**$ 627,116**	**4,179,254**	**82,060**	**3,393,508**	**8,281,938**

(iii) Income tax examination

The Company's income tax returns have been examined by the ROC tax authorities through 2012.

(iv) Integrated income tax information

	December 31, 2013	December 31, 2014
Undistributed earnings in 1997 and prior years	$ 3,123,574	3,123,574
Undistributed earnings in 1998 and thereafter	26,603,193	33,266,714
	$ 29,726,767	**36,390,288**
Balance of the Imputation Credit Account	**$ 1,074,431**	**270,246**

(Continued)

	2013(actual)	2014 (estimated)
Creditable ratio for distribution	12.76%	0.81%

The aforementioned integrated income tax has been calculated according to the formal Ruling No.10204562810 issued on October 17, 2013 by the Ministry of Finance.

(13) Equity

As of December 31, 2013 and 2014, the Company's government registered total authorized capital and issued capital stock both amounted to $79,308,216, divided into 7,930,822 thousand shares of stock with $10 par value per share.

a. Capital stock

On June 24, 2013, the stockholders of the Consolidated Company adopted a resolution to increase its capital to $79,308,216, which included the capitalization of its unappropriated retained earnings of $785,230. This capital increase was approved by the FSC under its formal Ruling No.1020028386 on July 19, 2013. The date of record for this capital increase was August 13, 2013.

b. Capital surplus

The components of capital surplus as of December 31, 2013 and 2014 were as follows:

	December 31, 2013	December 31, 2014
Paid-in capital from conversion of corporate bond to common stock in excess of par value	$ 8,997,136	8,997,136
Gains on acquisition of Taiwan Plasticizer Corporation	74,474	74,474
Other	12,846,108	13,855,386
Total	$ 21,917,718	22,926,996

According to the amended ROC Company Law in January 2012, the realized capital surplus can only be used for the distribution of stock or cash dividends, appropriated proportionately to shareholders, after covering accumulated deficit, if any. Realized capital surplus includes the additional paid-in capital from issuance of common stock in excess of the common stock's par value and donation from others. The Company's paid-in capital in excess of par value is transferrable to common stock annually but shall not exceed 10% of total issued and outstanding common stock according to Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

(Continued)

c. Retained earnings

(i) Legal reserve

Following the amendment of the ROC Company Act as announced on January 1, 2012, the Consolidated Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. If the Consolidated Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, capitalize the amount of its reserve that exceeds 25% of share capital by issuing new shares and distributing stock dividend or distributing cash dividend.

(ii) Special reserve

As the Consolidated Company opted to avail of the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRSs as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gains) of $6,277,052, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No. 1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, these special reserves can be reverted to distributable earnings proportionately. As the amount appropriated exceeds the increase in retained earnings arising from the adoption of IFRSs, only $6,243,060 is appropriated in compliance to the IFRSs as endorsed by the FSC. The balance of special reserve amounted to $6,241,893 and $6,240,560 as of December 31, 2013 and 2014, respectively.

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

(iii) Earnings distribution

According to the rules of the Company's articles and Company Act, the Company's annual net profit, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remainder plus the undistributed earnings of the previous years are distributed or left undistributed for business purposes according to the resolution of the stockholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the Annual Stockholders' Meeting. The Consolidated Company also adopts a dividend distribution policy, under which, net earnings after deducting the legal reserve and special reserve may first be distributed by way of cash dividends which shall be equal to at least fifty percent (50%) of the Company's total dividend distribution every year. The capitalization of earnings and capital surplus shall not exceed fifty percent of the total dividends. Thereafter, 0.1% to 1% of the remaining earnings, if any, is appropriated as bonus to employees, and is recognized as the expenses in the year earnings are incurred.

(Continued)

Based on the resolutions approved by stockholders during their meetings on June 24, 2013, and June 19, 2014, the Company's stockholders approved the distribution of the Company's earnings in 2012 and 2013 as follows:

		2012	2013
Dividends per share:			
Cash dividends	$	0.30	1.90
Stock dividends		0.10	-
	$	0.40	1.90
Bonus to employees－cash	$	13,644	16,917
Remuneration to directors and supervisors	$	-	-

The aforementioned earnings distributions did not differ from those proposed by the board of directors and those estimated and accrued amount in the financial statements in 2012 and 2013. The related information can be obtained from the Market Observation Post System website.

The distribution in cash of the directors' and supervisors' remuneration and employees' bonuses of the Consolidated Company is given priority. Pursuant to the Consolidated Company Act and the Company's articles of incorporation, directors' and supervisors' remuneration of the Consolidated Company both amounted to $0 for the years ended December 31, 2013 and 2014; employees' bonuses of the Consolidated Company amounted to $16,917 and $38,442 for the years ended December 31, 2013 and 2014, respectively.

d. Treasury stock

For the years ended December 31, 2013 and 2014, the movements of treasury stock were as follows:

Unit: Shares of common stock

Items	Number of shares on January 1, 2013	Increase	Decrease	Number of shares on December 31, 2013
Stock of the Consolidated Company held by subsidiaries	183,235	1,832	-	185,067

Items	Number of shares on January 1, 2014	Increase	Decrease	Number of shares on December 31, 2014
Stock of the Consolidated Company held by subsidiaries	185,067	-	185,067	-

As of December 31, 2014, these treasury shares of stock were all sold.

(Continued)

Effective January 1, 2002, pursuant to ROC SFC regulations, the Company's common stock held by a subsidiary is recognized as treasury stock. Accordingly, the Consolidated Company appropriates from retained earnings a special reserve at the balance sheet date equal to the excess amount of book value over the market value of this treasury stock multiplied by the percentage of the Company's shareholding in said subsidiary. This special reserve is reversed to retained earnings upon the recovery of market price.

e. Other equity accounts (net of tax)

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Cash flow hedge	Others	Total
Balance, January 1, 2013	$	(3,605,570)	29,002,505	(12,246)	(28,128)	25,356,561
Exchange differences on translation of foreign financial statements		4,524,639	-	-	-	4,524,639
Share of exchange differences of associates/jointly controlled entities under equity method		604,305	-	-	-	604,305
Unrealized gains (losses) on available-for-sale financial assets		-	10,266,627	-	-	10,266,627
Share of unrealized gains (losses) on available-for-sale financial assets of associates/jointly controlled entities under equity method		-	2,357,338	13,962	-	2,371,300
Other equities		-		-	11,245	11,245
Balance, December 31, 2013	$	1,523,374	41,626,470	1,716	(16,883)	43,134,677
Balance, January 1, 2014	$	1,523,374	41,626,470	1,716	(16,883)	43,134,677
Exchange differences on translation of foreign financial statements		5,597,110	-	-	-	5,597,110
Share of exchange differences of associates/jointly controlled entities under equity method		2,108,714	-	-	-	2,108,714
Unrealized gains (losses) on available-for-sale financial assets		-	8,469,631	-	-	8,469,631
Share of unrealized gains (losses) on available-for-sale financial assets of associates/jointly controlled entities under equity method		-	3,118,694	(4,226)	-	3,114,468
Other equities		-	-	-	(6,942)	(6,942)
Balance, December 31, 2014	$	9,229,198	53,214,795	(2,510)	(23,825)	62,417,658

(14) Share-based payment transactions

The Consolidated Company was authorized to issue 9,912 units and 1,588 units of employee stock options on June 23, 2009 and March 25, 2010, respectively, and each option entitles the holder to subscribe for one thousand common shares of the Consolidated Company at the exercise price of $89 and $124.5, respectively. The Consolidated Company transferred capital surplus to share capital on August 5, 2011, and adjusted the exercise price to NT$75.4 and NT$116. The Consolidated Company distributed cash dividend on July 23, 2012, and adjusted the exercise price to NT$72.2 and NT$111.1, respectively. The grant was limited to regular employees of Nan Ya PCB Corporation. The options are exercisable at certain percentages after the second anniversary from the grant date, with 50%, 75%, and 100% of these stock options vested after the second, third, and fourth anniversary dates, respectively, and the options granted are valid for 8 years.

(Continued)

(i) Parameter of the measurement of the fair value on grant dates

The Consolidated Company utilized the Black-Scholes option pricing model to value the stock options granted, and the main inputs to the valuation model were as follows:

	The 1st batch 2009 of employee stock options	The 2nd batch 2010 of employee stock options
Dividend rate	-	-
Expected price volatility	42.89%	39.77%
Risk-free interest rate	1.0102%	0.9584%
Expected valid period (years)	5.375	5.375
Projected turnover rate	13.01%	23.43%

(ii) Related information of employee stock option plans

The details of these employee stock option plans for the years ended December 31, 2013 and 2014 were as follows:

	For the year ended December 31			
	2013		2014	
Employee stock option plans	Number of options (Units)	Weighted-average exercise price	Number of options (Units)	Weighted-average exercise price
Outstanding at January 1, 2013 and 2014	8,362	$ 79.59	8,362	$ 79.59
Options exercised	-	-	-	-
Outstanding at December 31, 2013 and 2014	8,362	79.59	8,362	79.59
Options exercisable, end of period	7,965		8,362	
Weighted average fair value of the options granted(NT$)	-		-	

As of December 31, 2013 and 2014, the details of the Consolidated Company's outstanding stock options accounted for as a compensatory cost were as follows:

	2013.12.31				
	Options outstanding			Options exercisable	
Range of exercise prices (NT$)	Number of options	Remaining period(years)	Exercise price (NT$)	Number of options	Exercise price (NT$)
$ 72.2	6,774	3.48	72.2	6,774	72.2
$ 111.1	1,588	4.24	111.1	1,191	111.1

	2014.12.31				
	Options outstanding			Options exercisable	
Range of exercise prices (NT$)	Number of options	Remaining period(years)	Exercise price (NT$)	Number of options	Exercise price (NT$)
$ 72.2	6,774	2.48	72.2	6,774	72.2
$ 111.1	1,588	3.24	111.1	1,588	111.1

(Continued)

(iii) Salaries expense

The details of the Consolidated Company's expenses related to stock options for 2013 and 2014 were as follows:

	2013	2014
Salaries expense (included under administration expenses)	$ 64,998	6,401

(15) Earnings Per Share

The basic earnings per share for the years ended December 31, 2013 and 2014 were calculated on profit attributable to ordinary shareholders of the Consolidated Company of $25,271,588 and $31,785,279, respectively, and a weighted average number of outstanding shares of stock of 7,930,727, and 7,930,740 ordinary shares, as follows:

a. Profit attributable to ordinary shareholders

	For the year ended December 31	
	2013	2014
	Continuing operating unit	Continuing operating unit
Profit attributable to ordinary shareholders	$ 25,271,588	31,785,279

b. Weighted average number of outstanding ordinary shares

	For the year ended December 31	
	2013	2014
Shares outstanding as of January 1	$ 7,852,299	7,930,727
Treasury stock- Subsidiaries' Acquisition of Parent Company stock	(95)	(82)
Cumulative effect of stock dividend	-	-
Cumulative effect of subsidiary's disposal of parent company stock	78,523	95
Weighted average number of Common Stock Outstanding as of December 31	$ 7,930,727	7,930,740

(Continued)

(16) Revenue

For the years ended December 31, 2013 and 2014, the components of revenue were as follows:

	Continuing operating unit	
	For the year ended December 31	
	2013	2014
Sale of goods	$ 306,461,826	320,775,028
Service revenues	192,637	113,137
Others	4,350,826	4,584,981
	$ 311,005,289	325,473,146

(17) Results from Non-operating Activities

a. Other income

For the years ended December 31, 2013 and 2014, the components of other income were as follows:

	For the year ended December 31	
	2013	2014
Interest income	$ 1,524,253	1,387,839
Dividend income	716,641	1,349,402
Other income	1,731,892	1,649,118
	$ 3,972,786	4,386,359

b. Other gains and losses

For the years ended December 31, 2013 and 2014, the components of other gains and losses were as follows:

	For the year ended December 31	
	2013	2014
Foreign exchange gain (loss)	$ 1,523,622	1,680,791
Gain on disposal of investments	20,055	4,538,705
Gain (Loss) on disposal of property, plant and equipment	374,930	(31,540)
Reversal of impairment/ Impairment loss of property, plant and equipment, and non-financial instruments	4,667	(120,666)
Gain on valuation of financial instruments	28,560	-
Others	(305,162)	(296,692)
	$ 1,646,672	5,770,598

(Continued)

c. Finance costs

For the years ended December 31, 2013 and 2014, the components of finance costs were as follows:

	For the year ended December 31	
	2013	2014
Interest expense	$ 2,415,833	2,342,079
Capitalized interest	(215,133)	(194,409)
	$ 2,200,700	2,147,670

(18) Financial Instruments

a. Categories of financial instruments

(i) Financial assets

	December 31, 2013	December 31, 2014
Available-for-sale financial assets	$ 53,678,711	63,334,516
Loans and receivables		
Cash and cash equivalents	24,547,373	36,632,716
Notes receivable, accounts receivable and other receivables	110,258,829	80,984,600
Sub-total	134,806,202	117,617,316
Total	$ 188,484,913	180,951,832

(ii) Financial liabilities

	December 31, 2013	December 31, 2014
Financial liabilities measured at amortized cost		
Short-term borrowings	$ 14,337,560	9,201,472
Short-term notes and bills payable	4,499,306	-
Payables	18,561,230	16,783,487
Bonds payable	91,201,982	89,252,921
Long-term debts	52,323,450	34,911,374
Total	$ 180,923,528	150,149,254

(Continued)

b. Credit Risk

(i) Exposure to credit risk

The Consolidated Company is exposed to credit risk primarily from cash and cash equivalents, deposits, and trade receivables.

(ii) Concentration of credit risk

As sales are made to customers worldwide, the Consolidated Company's exposure to credit risk concentration is expected to be low. Also, the Consolidated Company mitigates its exposure by evaluating the customers' financial situation regularly.

c. Liquidity risk

The following were the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2013							
Non-derivative financial liabilities							
Short-term notes and bills payable	$ 4,499,306	4,500,694	4,500,694	-	-	-	-
Notes and accounts payable	7,104,310	7,104,310	7,104,310	-	-	-	-
Payables to related parties	11,456,920	11,456,920	11,456,920	-	-	-	-
Short-term borrowings	14,337,560	14,400,621	12,238,454	2,162,167	-	-	-
Long-term debts	52,323,450	53,496,798	5,838,422	18,262,509	9,442,296	19,953,571	-
Related party loans	15,900	15,900	15,900	-	-	-	-
Bonds payable (TWD)	73,883,002	79,093,530	5,813,040	13,332,060	13,854,220	24,259,210	21,835,000
Bonds payable (USD)	17,318,980	17,972,464	99,733	99,733	12,179,329	5,593,669	-
	$ 180,939,428	188,041,237	47,067,473	33,856,469	35,475,845	49,806,450	21,835,000
December 31, 2014							
Non-derivative financial liabilities							
Short-term notes and bills payable	$ -	-	-	-	-	-	-
Notes and accounts payable	7,973,470	7,973,470	7,973,470	-	-	-	-
Payables to related parties	8,810,017	8,810,017	8,810,017	-	-	-	-
Short-term borrowings	9,201,472	9,237,774	8,432,708	805,066	-	-	-
Long-term debts	34,911,374	36,100,303	2,437,974	2,883,706	8,474,271	20,277,347	2,027,005
Related party loans	32,600	32,600	32,600	-	-	-	-
Bonds payable (TWD)	18,396,394	18,784,367	104,766	12,770,514	1,980,441	3,928,646	-
Bonds payable (USD)	70,856,527	78,409,833	6,423,241	7,714,679	11,451,922	21,971,531	30,848,460
	$ 150,181,854	159,348,364	34,214,776	24,173,965	21,906,634	46,177,524	32,875,465

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

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

d. Exchange rate risk

(i) Exposure to exchange rate risk

The Consolidated Company's foreign currency denominated financial assets and liabilities exposed to exchange rate risk were as follows:

	December 31, 2013		
	Foreign Currency	Exchange Rate	TWD
Financial assets			
Monetary items			
USD	$ 1,408,167	29.9500	42,174,602
JPY	40,269	0.2846	11,461
EUR	258	41.2410	10,640
HKD	45,497	3.8397	174,695
CNY	7,398,267	4.9121	36,341,027
Non-monetary items			
USD	81,336	29.9500	2,436,013
HKD	922,978	3.8397	3,543,959
CNY	40,342	4.9121	198,164
IDR	30,772,815	0.0065	200,023
VND	16,068,963,635	0.0014	22,496,549
Financial liabilities			
Monetary items			
USD	1,521,693	29.9500	45,574,705
JPY	681,084	0.2846	193,837
EUR	1,413	41.2410	58,274
HKD	15,924	3.8397	61,143
CNY	576,822	4.9121	2,833,407

(Continued)

	December 31, 2014		
	Foreign Currency	Exchange Rate	TWD
Financial assets			
Monetary items			
USD	$ 1,987,956	31.7180	63,053,988
JPY	16,389	0.2650	4,343
EUR	447	38.5310	17,223
HKD	40,600	4.0664	165,096
CNY	7,019,815	5.1834	36,386,509
Non-monetary items			
USD	582,384	31.7180	18,472,056
HKD	863,985	4.0664	3,513,309
CNY	41,670	5.1834	215,992
IDR	30,772,815	0.0061	187,714
VND	5,678,632,500	0.0015	8,517,949
Financial liabilities			
Monetary items			
USD	1,396,212	31.7180	44,285,052
JPY	1,203,707	0.2650	318,982
EUR	1,922	38.5310	74,057
HKD	19,911	4.0664	80,966
CNY	594,008	5.1834	3,078,981

(ii) Sensitivity analysis

The Consolidated Company's exposure to exchange rate risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans and borrowings, accounts payable and other payables which are denominated in different foreign currencies. The overall effects to net income before tax for the year ended December 31, 2013 and 2014 assuming the TWD depreciated by 1% against the USD, JPY, EUR, HKD and CNY as of December 31, 2013 and 2014 were as follows:

	For the year ended December 31	
	2013	2014
Appreciation in value of 1%	$ (299,797)	(518,269)
Depreciation in value of 1%	299,797	518,269
	$ -	-

This analysis is performed on the same basis assuming that all other variables remain constant and ignoring any impact of forecasted sales and purchases.

(Continued)

e. Interest rate analysis

The Consolidated Company's financial assets and liabilities exposed to interest rate risk are described in note 6(19).

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

An increase or decrease of 1% in interest rates mainly from loans with floating interest rates at the reporting date would have increased or decreased net income by $9,781 and $7,844 for the years ended December 31, 2013 and 2014, respectively.

f. Fair value

(i) Fair value and carrying amount

Except for those listed below, the Consolidated Company considers the carrying amounts of its financial assets and financial liabilities measured at amortized cost as a reasonable approximation of fair value because the maturity dates of these short-term financial instruments are within one year from the balance sheet date:

	December 31, 2013	
	Carrying amount	Fair value
Financial assets：		
Available-for-sale financial assets	$ 53,678,711	53,678,711

	December 31, 2014	
	Carrying amount	Fair value
Financial assets：		
Available-for-sale financial assets	$ 63,334,516	$ 63,334,516

(ii) Valuation techniques and assumptions used in fair value determination

The fair value of financial assets and liabilities reported at fair value through profit or loss, and financial assets available for sale is based on quoted market prices. When quoted prices are unavailable, the fair value is determined by certain valuation techniques, using estimation and assumptions under existing market conditions which are obtainable by the Consolidated Company.

(Continued)

(iii) Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels of fair value have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

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

- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Available-for-sale financial assets				
Stock of listed companies	$ 50,166,488	-	-	50,166,488
Domestic and foreign funds	2,289,023	-	-	2,289,023
Investment in bonds and others	-	-	1,223,200	1,223,200
	$ 52,455,511	**-**	**1,223,200**	**53,678,711**
December 31, 2014				
Available-for-sale financial assets				
Stock of listed companies	$ 57,319,438	-	-	57,319,438
Domestic and foreign funds	4,727,056	-	-	4,727,056
Investment in bonds	-	-	1,288,022	1,288,022
	$ 62,046,494	**-**	**1,288,022**	**63,334,516**

There were no transfers between the fair value measurements for the years ended December 31, 2013 and 2014.

(19) Financial Risk Management

a. The Consolidated Company has the following exposure risks for holding certain financial instruments:

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk

Detailed information about the financial instruments has been disclosed in related notes to the consolidated financial statements.

(Continued)

b. Framework of risk management

The Consolidated Company's risk management policies are established to identify and analyze the risks confronting the Consolidated Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework, and is responsible for developing and monitoring the Consolidated Company's risk management policies.

c. Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

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

The credit risk exposure on bank deposits and other financial instruments are measured and monitored by the Consolidated Company's finance department. As the Consolidated Company's transactions are done with the banks and other external parties with good credit standing, management is not aware of any non compliance issues and is not expecting significant credit risk.

d. Liquidity risk

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

e. Market risk

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

(Continued)

(i) Exchange rate risk

The Consolidated Company's exposure to exchange rate risk is due to global transactions that are denominated in a currency other than the respective functional currencies of the Company, primarily the New Taiwan Dollars (TWD). The currencies used in these transactions are denominated in USD. The exchange rate risk mainly arises from future business transactions and recognized assets and liabilities. Part of the exchange rate risk arising from purchase and sales can be offset to achieve automatic hedge.

When the Consolidated Company has foreign currency needs, the Consolidated Company uses spot exchange contracts and forward exchange contracts if the exchange rate is advantageous to the Consolidated Company to manage the risk. If necessary, the Consolidated Company uses derivatives operated by prestigious international bank to manage its exposure to foreign currency exchange rate fluctuation risk, which monitor exchange rate risks and adherence to acceptable limits by the Consolidated Company.

(ii) Interest rate risk

The Consolidated Company's interest rate risk mainly arises from long-term loans with variable interest rates, which bears cash flow risk to the Consolidated Company. Part of the interest rate risk can be offset by cash and cash equivalents with variable interest rate held by the Consolidated Company.

The Consolidated Company manages interest rate risk by using derivatives, which monitor interest rate risk and adherence to acceptable limits.

(iii) Other market price risk

The Consolidated Company is exposed to fair value change risk due to available-for-sale financial assets measured at fair value.

(20) Capital Management

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

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

(Continued)

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

	December 31, 2013	December 31, 2014
Total liabilities	$ 229,162,579	198,503,945
Less: cash and cash equivalents	(24,547,373)	(36,632,716)
Net liabilities	$ 204,615,206	161,871,229
Total equity	$ 295,347,551	334,147,582
Debt to capital ratio	69.28%	48.44%

7. Related-party Transactions

(1) Parent company and ultimate controlling party

The Consolidated Company is the ultimate controlling party of the Consolidated Company and its subsidiaries.

(2) Significant related-party transactions

a. Sales to related parties

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

	Operating revenues for the year ended December 31		Receivables from Related Parties	
	2013	2014	December 31, 2013	December 31, 2014
Associates	$ 5,512,160	16,451,567	591,735	10,271,419
Other Related Parties	18,586,477	17,699,096	1,940,484	1,250,181
Total	$ 24,098,637	34,150,663	2,532,219	11,521,600

The selling prices and collection terms of sales to related parties are not significantly different from those of third-party customers. The accounts receivable arising from sales of machinery and equipment, and machine parts are collected after the delivery inspection, and the accounts receivable arising from sales of other products are collected on the 30th day of the following month.

(Continued)

The Consolidated Company sells mainly machinery and provides engineering services to related parties in China and Vietnam. Payment is made after the test run of machinery sold. Also, it sells other products to these related parties. Selling prices and collection terms of other products sold to these associates are not materially different from those to non-related general buyers. Payments are collected 30 to 180 days after shipping of these other products.

b. Purchase from related parties

Significant purchases from related parties and the balance of accounts payable were as follows:

	Purchases for the year ended December 31		Payables to Related Parties	
	2013	2014	December 31, 2013	December 31, 2014
Associates	$ 60,363,147	58,725,337	6,006,381	4,660,793
Other Related Parties	63,461,779	62,359,957	5,450,539	4,147,857
Total	$ 123,824,926	121,085,294	11,456,920	8,808,650

Purchase prices and payment terms of purchases from related parties are not materially different from those of non-related general suppliers. Payment shall be paid within 30 to 180 days of the month following the month of purchase with checks which are due and payable immediately.

c. Unrealized sales profit

Significant unrealized (realized) profits from sales to related parties for the years ended December 31, 2013 and 2014 were as follows:

	For the year ended December 31, 2013		
Investee	Unrealized sales profit at beginning of period	(Realized) Unrealized Sales Profits	Unrealized sales profit at end of period
Associates	$ 57,495	5,605	63,100

	For the year ended December 31, 2014		
Investee	Unrealized sales profit at beginning of period	(Realized) Unrealized Sales Profits	Unrealized sales profit at end of period
Associates	$ 63,100	13,492	76,592

(Continued)

d. Construction

The Consolidated Company contracted with associates to construct and expand the Consolidated Company's factory. The construction costs for the years ended December 31, 2013 and 2014, and the unpaid amount due to the related parties as of December 31, 2013 and 2014 were as follows:

	Construction costs for the year ended December 31		Payables to Related Parties	
	2013	2014	December 31, 2013	December 31, 2014
Associates	$ 471,726	757,917	-	1,367

e. Utility expenses

Part of the utilities of the Consolidated Company's Lin-Yuan plant and all of the utilities of the Consolidated Company's Ren-Wu plant, including power, water and steam, are supplied by or paid on behalf of the Consolidated Company by the utility plants of Formosa Plastics Corporation. The utilities of the Consolidated Company's Mai Liao plant, including power, water and steam, are supplied by Formosa Petrochemical Corporation. The expenses for utilities for the years ended December 31, 2013 and 2014 were as follows:

	For the year ended December 31	
	2013	2014
Associates	$ 7,435,456	6,853,503
Other related parties	110,998	116,901
	$ 7,546,454	6,970,404

f. Sales of property, plant and equipment

(i) For the years ended December 31, 2013 and 2014, the realized (unrealized) inter-company profits due to disposal of fixed assets were as follows:

	For the year ended December 31, 2013		
Investee	Unrealized profit on disposal of fixed assets at beginning	Unrealized (realized) profit on disposal of fixed assets	Unrealized profit on disposal of fixed assets at ending
Associates	$ 4,293	-	4,293

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Investee	For the year ended December 31, 2014 Unrealized profit on disposal of fixed assets at beginning	Unrealized (realized) profit on disposal of fixed assets	Unrealized profit on disposal of fixed assets at ending
Associates	$ 4,293	(4,293)	-

(ii) Acquisition of financial assets

	Financial Statement Account	Number of Shares (in thousands)	Transaction Shares	For the year ended December 31, 2013
Associates	Investments accounted for using equity method	300,000	Shares of stock of Formosa Resources Corporation	$ 3,000,000
	Investments accounted for using equity method	-	Shares of stock of Formosa Ha Tinh Steel Corporation	8,398,938
	Investments accounted for using equity method	13	Shares of stock of Formosa Group (Cayman) Limited	377
Other Related Parties	Available-for-sale financial assets-non-current	422,387	Shares of stock of Inotera Memories, Inc.	4,000,005
				$ 15,399,320

	Financial Statement Account	Number of Shares (in thousands)	Transaction Shares	For the year ended December 31, 2014
Associates	Investments accounted for using equity method	116,250	Shares of stock of Formosa Resources Corporation	$ 1,162,500
	Investments accounted for using equity method	13	Shares of stock of Formosa Group Investment (Cayman) Limited	377
	Investments accounted for using equity method	58	Shares of stock of Nan Ya Technology Corporation	582
	Investments accounted for using equity method	1,500	Shares of stock of Formosa Plastics Development Co., Ltd	15,000
	Investments accounted for using equity method	508,237	Shares of stock of Formosa Ha Tinh (Cayman) Limited	15,286,553
Other Related Parties	Available-for-sale financial assets-current	70	Shares of stock of Formosa Chemicals & Fiber Corporation	704
				$ 16,465,716

(Continued)

(iii) Disposal of financial assets

There was no disposal of financial assets for the years ended December 31, 2013.

	Financial Statement Account	Transaction Shares (in thousands)	Transaction Items	For the year ended December 31, 2014		
					Proceeds	Gains (Losses)
Associates	Investments accounted for using equity method	47,700	Shares of stock of Formosa Petrochemical Corporation	$	3,650,366	2,538,951
	Investments accounted for using equity method	-	Shares of stock of Formosa Ha Tinh Steel Corporation		15,286,553	-
				$	18,936,919	2,538,951

g. Financing to related parties

Lendings to related parties were as follows:

	Other Receivables from Related Parties	
	December 31, 2013	December 31, 2014
Associates	$ 33,774,912	16,842,084
Other related parties	30,003,930	7,168,294
	$ 63,778,842	24,010,378

h. Financing from related parties

Lendings from related parties were as follows:

	Other Payables to Related Parties	
	December 31, 2013	December 31, 2014
Associates	$ 15,900	29,600
Other related parties	-	3,000
	$ 15,900	32,600

(Continued)

i. Endorsements and guarantees

As of December 31, 2013 and 2014, the amounts of the Consolidated Company's endorsements and guarantees for securing related parties' loans were as follows:

	December 31, 2013	December 31, 2014
Associates	$ 5,529,558	36,526,435

(3) Key management personnel compensation

	For the year ended December 31 2013	2014
Short-term employee benefits	$ 112,791	116,853
Share-based payment	646	162
	$ 113,437	117,015

8. Pledged Properties

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

Pledged assets	Pledged to secure	December 31, 2013	December 31, 2014
Available-for-sale financial asset－current－stock of Formosa Plastics Corporation	Long-term and short-term debt	$ 1,025,248	920,813
Investment accounted for using equity method－stock of Formosa Petrochemical Corporation	Long-term and short-term debt	10,183,877	9,968,700
Land (include idle land)	Long-term and short-term debt	5,200,809	7,558,051
Machinery and equipment	Long-term and short-term debt	25,283,069	25,049,174
Total		$ 41,693,003	43,496,738

(Continued)

9. Commitments and Contingencies

		December 31, 2013	December 31, 2014
(1) Outstanding letters of credit for the importation of raw materials	$	2,476,144	3,882,082
(2) Endorsements and guarantees		5,529,558	36,526,435
(3) Bonding guarantees by banks		61,000	54,500
(4) Letters of credit guarantees by banks		65,100	65,100

(5)PFG Fiber Glass (HK) Co., Ltd., an investee company under the equity method, invested in PFG Fiber Glass (Kunshan). The Consolidated Company provided comfort letters to a group of banks, which provided a syndicated loan to PFG Fiber Glass (Kunshan), including Sumitomo Mitsui Financial Group, UFJ, BNP Paribas, Citibank, and Wing Hang Bank. Under these comfort letters, the Consolidated Company has committed not to reduce the ratio of its shareholding in these investee companies below 50%. In addition, the Consolidated Company has to monitor the operations of these investees to ensure that they maintain a sound financial condition and pay debts on schedule.

10. Significant Disaster Loss: None.

11. Subsequent Events:

(a) In order to finance the capital and equipment requirements of the investments of Formosa Ha Tinh Steel Corporation in San Yung Deep-water harbor and Steel mill Union in Vietnam, Formosa Group (Cayman) Limited has been designated to issue a ten-year overseas bond, of up to US$1.3 billion. All shareholders of the Formosa Group (Cayman) Limited will guarantee, proportionately in accordance with the percentage of shares owned, for the bonds that will be issued. On March 25, 2015, the Board of Directors of the Company approved a resolution to authorize the Company to guarantee 25% of the bond issuance.

(b) In addition to the issuance of this overseas bond, Formosa Group (Cayman) Limited will also enter into loan agreements for purposes of obtaining a loan of US$1.15 billion with several banks in order to finance the capital and equipment requirements of the investments of Formosa Ha Tinh Steel Corporation in San Yung Deep-water harbor and Steel mill Union in Vietnam. All shareholders of Formosa Group (Cayman) Limited will guarantee, proportionately in accordance with the percentage of shares owned, for the loan. On March 25, 2015, the Board of Directors of the Company approved a resolution to authorize the Company to guarantee 25% of this loan payable.

(c) On March 25, 2015, the Board of Directors granted approval authorizing the Company to issue $5 billion worth of domestic unguaranteed bonds in order to obtain long-term capital for new constructions, replacement of obsolete equipment, debt repayment, reinvestments in domestic or foreign entities and to allow better management of the Company's operating capital.

(Continued)

12. Others

The nature of Consolidated Company's personnel, depreciation, and amortization expenses, categorized by function, were as follows:

	For the year ended December 31, 2013			
	Operating costs	Operating expense	Non-operating expense	Total
Employee benefit				
Salaries	$ 17,641,393	5,183,793	-	22,825,186
Labor and health insurance	1,549,438	316,749	-	1,866,187
Pension	1,383,511	386,368	-	1,769,879
Others	888,120	144,694	-	1,032,814
Depreciation	13,973,190	743,458	27,677	14,744,325
Amortization	1,251,413	162,539	-	1,413,952

	For the year ended December 31, 2014			
	Operating costs	Operating expense	Non-operating expense	Total
Employee benefit				
Salaries	$ 18,981,745	5,218,282	-	24,200,027
Labor and health insurance	1,742,010	328,317	-	2,070,327
Pension	1,558,141	388,010	-	1,946,151
Others	1,054,608	155,607	-	1,210,215
Depreciation	14,365,357	935,687	25,299	15,326,343
Amortization	1,821,320	128,444	-	1,949,764

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

13. Other Disclosures

(a) Information on material transaction items

The significant transactions required by the "Guidelines" for the Consolidated Company were as follows:

(i) Fund financing to other parties:

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties (Note 2)	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 4)
													Name	Value		
0	The Company	Nanya Technology Corporation	Other receivables from related parties	Yes	$35,100,000	$18,400,000	$13,400,000	1.6065% ~1.642375%	2	-	Operating capital	-	-	-	$79,865,573	$159,731,145
0	The Company	Inotera Memories, Inc	Other receivables from related parties	Yes	37,200,000	21,000,000	-	1.6065% ~1.63785%	2	-	Operating capital	-	-	-	79,865,573	159,731,145
0	The Company	Nan Chung Petrochemical Corporation (Note 6)	Other receivables from related parties	Yes	500,000	500,000	-	1.6065% ~1.642375%	2	-	Operating capital	-	-	-	79,865,573	159,731,145
0	The Company	Wen Fung Industrial Co., Ltd (Note 6)	Other receivables from related parties	Yes	250,000	-	-	-	2	-	Operating capital	-	-	-	79,865,573	159,731,145

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties (Note 2)	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 4)
													Name	Value		
0	The Company	Wenling Technology Corporation (Note 6)	Other receivables from related parties	Yes	$100,000	$100,000	-	-	2	-	Operating capital	-	-	-	$79,865,573	$159,731,145
0	The Company	Nan Ya Plastics (Hong Kong) Co., Ltd (Note 6)	Other receivables from related parties	Yes	500,000	500,000	-	0.726029% ~0.738868%	2	-	Operating capital	-	-	-	79,865,573	159,731,145
0	The Company	Formosa Plastics Group Investment Corp (Note 6)	Other receivables from related parties	Yes	70,000	70,000	-	-	2	-	Operating capital	-	-	-	79,865,573	159,731,145
0	The Company	Formosa Heavy Industries Corp.	Other receivables from related parties	Yes	4,500,000	-	-	-	2	-	Operating capital	-	-	-	79,865,573	159,731,145
0	The Company	Formosa Petrochemical Corp	Other receivables from related parties	Yes	6,500,000	6,500,000	500,000	1.624455% ~1.642375%	2	-	Operating capital	-	-	-	79,865,573	159,731,145
0	The Company	Formosa Plastics Corporation	Other receivables from related parties	Yes	6,000,000	6,000,000	-	-	2	-	Operating capital	-	-	-	79,865,573	159,731,145
0	The Company	Formosa Chemicals and Fibre Corporation	Other receivables from related parties	Yes	6,000,000	6,000,000	-	-	2	-	Operating capital	-	-	-	79,865,573	159,731,145

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties (Note 2)	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 4)
													Name	Value		
1	Nan Ya Plastics (Hong Kong) Co., Ltd	Nan Ya Polyester Fiber (Kunshan) Corporation (Note 6)	Other receivables from related parties	Yes	$6,893,526	$6,893,526	$6,893,526	0.90% ~1.58%	2	-	Operating capital	-	-	-	$36,478,235	$72,956,470
1	Nan Ya Plastics (Hong Kong) Co., Ltd	Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	17,327,441	15,178,552	15,178,552	0.94% ~1.58%	2	-	Operating capital	-	-	-	36,478,235	72,956,470
1	Nan Ya Plastics (Hong Kong) Co., Ltd	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	$475,769	$475,769	475,769	0.90% ~0.92%	2	-	Operating capital	-	-	-	$36,478,235	$72,956,470
1	Nan Ya Plastics (Hong Kong) Co., Ltd	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	311,006	-	-	2.65% ~2.90%	b	-	Operating capital	-	-	-	36,478,235	72,956,470
1	Nan Ya Plastics (Hong Kong) Co., Ltd	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	1,966,511	1,966,511	1,966,511	1.38% ~1.40%	b	-	Operating capital	-	-	-	36,478,235	72,956,470
2	Superior World Wide Trading Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	164,933	164,933	164,933	0.73% ~0.74%	b	-	Operating capital	-	-	-	250,324	500,648
3	Nan Ya Plastics Construction Materials (Guangzhou) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	103,669	51,834	51,834	3.92%	b	-	Operating capital	-	-	-	318,769	637,537

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties (Note 2)	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 4)
													Name	Value		
3	Nan Ya Plastics Construction Materials (Guangzhou) Co., Ltd.	Nan Ya Polyester Fiber (Kunshan) Corporation (Note 6)	Other receivables from related parties	Yes	$103,669	$103,669	$103,669	3.92%	b	-	Operating capital	-	-	-	$318,769	$637,537
4	Nan Ya Rigid Film (Guangzhou) Co., Ltd.	Nan Ya Plastics (Guangzhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	82,935	31,101	31,101	3.92%	b	-	Operating capital	-	-	-	769,661	1,539,321
4	Nan Ya Rigid Film (Guangzhou) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	62,201	62,201	62,201	3.92%	b	-	Operating capital	-	-	-	769,661	1,539,321
4	Nan Ya Rigid Film (Guangzhou) Co., Ltd.	Nan Ya Electric (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	103,669	-	-	3.92%	b	-	Operating capital	-	-	-	769,661	1,539,321
4	Nan Ya Rigid Film (Guangzhou) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	51,834	51,834	51,834	3.92%	b	-	Operating capital	-	-	-	769,661	1,539,321
4	Nan Ya Rigid Film (Guangzhou) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	51,834	-	-	3.92%	b	-	Operating capital	-	-	-	769,661	1,539,321
5	Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	259,172	259,172	259,172	3.92%	b	-	Operating capital	-	-	-	1,650,350	3,300,701

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties (Note 2)	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 4)
													Name	Value		
5	Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	$617,754	$617,754	$617,754	1.2346% ~3.92%	b	-	Operating capital	-	-	-	$1,650,350	$3,300,701
5	Nan Ya Plastics (Huizhou) Co., Ltd.	Fujian Fuxin Special Steel Co., Ltd.	Other receivables from related parties	Yes	777,516	-	-	3.92%	b	-	Operating capital	-	-	-	1,320,280	3,300,701
6	Nan Ya Plastics Film (Huizhou) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	119,219	-	-	3.92%	b	-	Operating capital	-	-	-	341,990	683,981
7	Nan Ya Plastics (Hsiamen) Co., Ltd.	Xiamen Haicang Investment Group Co., Ltd.	Other receivables from related parties	Yes	$93,302	$93,302	$93,302	3.92%	b	-	Operating capital	-	-	-	$714,115	$714,115
7	Nan Ya Plastics (Hsiamen) Co., Ltd.	Nan Ya Plastics (Anshan) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	114,036	-	-	3.92%	b	-	Operating capital	-	-	-	714,115	714,115
7	Nan Ya Plastics (Hsiamen) Co., Ltd.	Nan Ya Electric (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	77,752	-	-	3.92%	b	-	Operating capital	-	-	-	714,115	714,115
7	Nan Ya Plastics (Hsiamen) Co., Ltd.	Nan Ya Plastics (Zhengzhou) Co., Ltd	Other receivables from related parties	Yes	75,160	46,651	46,651	3.92%	b	-	Operating capital	-	-	-	714,115	714,115

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties (Note 2)	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 4)
													Name	Value		
7	Nan Ya Plastics (Hsiamen) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	$67,385	-	-	3.92%	b	-	Operating capital	-	-	-	$714,115	$714,115
7	Nan Ya Plastics (Hsiamen) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	129,586	129,586	129,586	3.92%	b	-	Operating capital	-	-	-	714,115	714,115
7	Nan Ya Plastics (Hsiamen) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	103,669	103,669	103,669	3.92%	b	-	Operating capital	-	-	-	714,115	714,115
8	Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	155,503	155,503	155,503	3.92%	2	-	Operating capital	-	-	-	3,088,786	6,177,572
8	Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Electric (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	207,338	207,338	207,338	3.92%	b	-	Operating capital	-	-	-	3,088,786	6,177,572
8	Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Plastics (Anshan) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	461,326	430,226	430,226	3.92%	b	-	Operating capital	-	-	-	3,088,786	6,177,572
8	Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	404,086	103,669	103,669	1.22705% ~3.92%	b	-	Operating capital	-	-	-	3,088,786	6,177,572

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties (Note 2)	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 4)
													Name	Value		
8	Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	$958,936	$958,936	$958,936	3.92%	b	-	Operating capital	-	-	-	$3,088,786	$6,177,572
8	Nan Ya Plastics (Nantong) Co., Ltd.	Fujian Fuxin Special Steel Co., Ltd.	Other receivables from related parties	Yes	777,516	-	-	3.92%	b	-	Operating capital	-	-	-	2,471,029	6,177,572
9	China Nantong Huafeng Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	36,284	-	-	3.92%	b	-	Operating capital	-	-	-	40,431	80,862
10	Nantong Huafu Plastics Co., Ltd.	Nan Ya Plastics (Anshan) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	46,651	-	-	3.92%	b	-	Operating capital	-	-	-	51,801	103,601
10	Nantong Huafu Plastics Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties$	Yes	36,284	25,917	25,917	3.92%	b	-	Operating capital	-	-	-	51,801	103,601
10	Nantong Huafu Plastics Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	$41,468	$41,468	$41,468	3.92%	b	-	Operating capital	-	-	-	$51,801	$103,601
11	Nan Ya Electric (Nantong) Co., Ltd.	Nan Ya Plastics (Anshan) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	10,367	-	-	3.92%	b	-	Operating capital	-	-	-	539,594	1,079,187

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties (Note 2)	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 4)
													Name	Value		
12	Nan Ya Property (Kunshan) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	$171,054	-	-	3.92%	b	-	Operating capital	-	-	-	$552,575	$1,105,151
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	482,106	301,316	301,316	1.22635% ~1.2654%	b	-	Operating capital	-	-	-	23,028,627	46,057,255
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	2,420,837	1,762,540	1,762,540	1.22635% ~3.92%	b	-	Operating capital	-	-	-	23,028,627	46,057,255
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Ps (Ningbo) Limited Company	Other receivables from related parties	Yes	518,344	518,344	518,344	3.92%	b	-	Operating capital	-	-	-	18,422,902	46,057,255
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Phenol (Ningbo) Limited Company	Other receivables from related parties	Yes	1,218,108	632,380	632,380	3.92%	b	-	Operating capital	-	-	-	18,422,902	46,057,255
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Abs Plastics (Ningbo) Limited Company	Other receivables from related parties	Yes	2,073,376	1,555,032	1,555,032	3.92%	b	-	Operating capital	-	-	-	18,422,902	46,057,255
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics (Zhengzhou) Co., Ltd	Other receivables from related parties	Yes	264,355	264,355	264,355	3.92%	b	-	Operating capital	-	-	-	18,422,902	46,057,255

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties (Note 2)	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 4)
													Name	Value		
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	PFG Fiber Glass (Kunshan) Co. Ltd.	Other receivables from related parties	Yes	$2,835,639	$1,596,738	$1,596,738	1.2291% ~3.92%	b	-	Operating capital	-	-	-	$18,422,902	$46,057,255
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	1,832,261	976,993	976,993	1.22695% ~3.92%	b	-	Operating capital	-	-	-	23,028,627	46,057,255
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Polyester Fiber (Kunshan) Corporation (Note 6)	Other receivables from related parties	Yes	691,073	326,690	326,690	1.2332% ~3.92%	b	-	Operating capital	-	-	-	23,028,627	46,057,255
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 6)	Other receivables from related parties	Yes	239,816	74,885	74,885	1.2331% ~1.2426%	b	-	Operating capital	-	-	-	23,028,627	46,057,255
13	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Fujian Fuxin Special Steel Co., Ltd.	Other receivables from related parties	Yes	5,235,274	3,369,236	3,369,236	3.92%	b	-	Operating capital	-	-	-	18,422,902	46,057,255
14	Nan Ya PCB Corporation	Nan Ya PCB (HK) Corporation (Note 6)	Other receivables from related parties	Yes	50,000	50,000	-	-	b	-	Operating capital	-	-	-	7,726,233	15,452,466
14	Nan Ya PCB Corporation	Formosa Heavy Industries Corp.	Other receivables from related parties	Yes	$2,000,000	$2,000,000	-	-	b	-	Operating capital	-	-	-	$7,726,233	$15,452,466

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No.	Name of Lenders	Name of Borrowers	Account name	Related party	Highest balance of financing to other parties during the period	Ending Balance	Actual usage during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (Note 1)	Transaction amount for business between two parties (Note 2)	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limitation on fund financing (Note 4)
													Name	Value		
14	Nan Ya Pcb Corporation	Hwa Ya Power Corporation	Other receivables from related parties	Yes	$2,000,000	$2,000,000	$1,000,000	1.6245% ~1.6424%	b	-	Operating capital	-	-	-	$7,726,233	$15,452,466
15	Nan Ya PCB (Kunshan) Corporation	Fujian Fuxin Special Steel Co., Ltd.	Other receivables from related parties	Yes	622,013	-	-	3.92%	b	-	Operating capital	-	-	-	4,911,464	4,911,464
15	Nan Ya PCB (Kunshan) Corporation	PFG Fiber Glass (Kunshan) Co. Ltd.	Other receivables from related parties	Yes	1,138,009	1,034,340	1,034,340	1.2334% ~3.92%	b	-	Operating capital	-	-	-	4,911,464	4,911,464
16	Nan Ya PCB (HK) Corporation	Nan Ya PCB (Kunshan) Corporation (Note 6)	Other receivables from related parties	Yes	1,363,871	818,322	818,322	0.8953% ~1.6457%	b	-	Operating capital	-	-	-	2,989,893	4,983,155
17	Nan Ya Plastics Corporation America	Nan Ya Plastics Corporation U.S.A (Note 6)	Other receivables from related parties	Yes	1,903,080	1,903,080	124,273	0.935% ~0.992%	b	-	Operating capital	-	-	-	14,622,713	29,245,425
18	Nan Ya Plastics Corporation U.S.A	Nan Ya Plastics Corporation America (Note 6)	Other receivables from related parties	Yes	317,180	317,180	-	-	b	-	Operating capital	-	-	-	658,225	1,316,450

Note 1：(a) Those with business contact please fill in 1; (b) Those necessary for short-term financing please fill in 2.

Note 2：Amount from business contact stands for the sum of purchases and sales.

Note 3：The cap amount of loans to associates and interested parties should not exceed 25% of the equity of the lenders. Other parties should not exceed 20% of the lender's net worth.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4：Capital loaned to other parties should not exceed 50% of the lender's net worth, of which the sum loaned to non-interested parties for capital requirements should not exceed 40% of the net worth of borrower.

Note 5：Nan Ya Plastics Corporation America and Nan Ya Plastics Corporation U.S.A s' reporting currency are denominated in USD, and the exchange rate of NTD to USD as of December 31, 2014 (in average) is 31.718(30.382)：1.

Nan Ya Plastics (Hong Kong) Co., Ltd and Superior World Wide Trading Co., Ltd. s' reporting currency are denominated in HKD, and the exchange rate of NTD to HKD as of December 31, 2014 (in average) is 4.0664(3.8951)：1.

Note 6：This transaction has already been written-off during the consolidation process.

(ii) Guarantees and endorsements for other parties:

No.	Endorsement guarantee provider	Counterparty of guarantee and endorsement		Limitation amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantee and endorsements during the period	Balance of guarantees and endorsements as of December 31, 2014	Amount secured by guaranteed and endorsed property	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amounts for guarantees and endorsements	Parent Company endorses/ guarantees to third parties on behalf of subsidiary	Subsidiary endorses/ guarantees to third parties on behalf of Parent Company	Endorsements/ guarantees to the third parties on behalf of the Companies in Mainland China
		Name	Relationship with The Company (Note)										
0	The Company	Nan Ya Plastics (Hong Kong) Co., Ltd.	2	$207,650,489	$25,723,298	$24,429,204	$24,429,204	-	7.65%	$415,300,977	Y	N	N
0	The Company	Formosa Industries Corporation	1	10,041,411	5,183,387	4,485,591	4,485,591	-	1.40%	415,300,977	N	N	N
0	The Company	Formosa Group (Cayman) Limited	6	207,650,489	29,140,913	29,140,913	13,202,618	-	9.12%	415,300,977	N	N	N
17	Nan Ya Plastics Corporation America	Formosa Utility Venture	1	19,009,527	3,624,914	2,899,931	2,899,931	-	9.92%	38,019,053	N	N	N
14	Nan Ya PCB Corporation	Nan Ya PCB (HK) Corporation	2	25,110,257	1,363,874	818,324	818,324	-	2.12%	50,220,513	Y	N	N

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note: The six conditions in which the Company may have guarantees or endorsements for the receiving parties are as follows:

(a) The Company has business with the receiving parties.
(b) The Company holds directly more than 50% of the common stock of the subsidiaries.
(c) In aggregate, the Company and its subsidiaries hold more than 50% of the investee.
(d) In aggregate, the Company holds directly or indirectly through its subsidiaries more than 50% of the investee.
(e) The Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
(f) The stockholders of the Company provide guarantees or endorsements for the investee in proportion to their stockholding percentage.

(iii) The securities held at balance sheet date (excluding subsidiaries, associates and joint ventures):

Security holder	Category and name of security	Relationship between issuer of security and the company which holds securities	Account name	2014.12.31				The maximum holding percentage for the period	Notes
				Number of shares (in thousands)	Carrying value	Shareholding percentage	Market value or net asset value		
The Company	Formosa Plastics Corporation	Other related parties	Available-for-sale financial assets－current	294,793	$21,313,542	4.63%	$21,313,542	4.63%	Note 1
The Company	Formosa Chemicals and Fibre Corporation	Other related parties	Available-for-sale financial assets－current	140,520	9,400,764	2.40%	9,400,764	2.40%	
The Company	Inotera Memories, Inc	Other related parties	Available-for-sale financial assets－non-current	422,387	21,203,827	6.46%	21,203,827	6.46%	
The Company	Mega RMB Money Market	-	Available-for-sale financial assets－current	3,057	161,830	-	161,830	-	
Nan Ya PCB Corporation	Formosa Plastics Corporation Stock	Other related parties	Available-for-sale financial assets－current	7,011	506,869	0.11%	506,869	0.11%	
Nan Ya PCB Corporation	Formosa Chemicals and Fibre Corporation	Other related parties	Available-for-sale financial assets－current	15,432	1,032,391	0.26%	1,032,391	0.26%	
Nan Ya PCB Corporation	Inotera Memories, Inc	Other related parties	Available-for-sale financial assets－current	76,933	3,862,045	1.18%	3,862,045	2.01%	

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Security holder	Category and name of security	Relationship between issuer of security and the company which holds securities	Account name	2014.12.31				The maximum holding percentage for the period	Notes
				Number of shares (in thousands)	Carrying value	Shareholding percentage	Market value or net asset value		
Nan Ya PCB Corporation	Mega Diamond Money Market	-	Available-for-sale financial assets－current	232,664	$2,863,238	-	$2,863,238	-	
Nan Ya PCB Corporation	CTBC Hwa-win Money Market Fund	-	Available-for-sale financial assets－current	73,908	800,022	-	800,022	-	
Nan Ya PCB Corporation	Franklin Templeton Sinoam Money Market	-	Available-for-sale financial assets－current	88,964	901,966	-	901,966	-	
The Company	Formosa Group Ocean Marine Investment Corporation	Other related parties	Financial assets carried at cost－non-current	3	856,948	19.00%	9,121,554	19.00%	Note 2
The Company	Blue Photonics Holding Inc.	-	Financial assets carried at cost－non-current	6,667	3,908	10.00%	4,112	10.00%	Note 2
The Company	Formosa Plastics Corporation U.S.A.	-	Financial assets carried at cost－non-current	2	141,379	0.51%	931,610	0.51%	
The Company	Formosa Plastics Maritime Corp	Other related parties	Financial assets carried at cost－non-current	352	1,620	18.00%	53,015	18.00%	
The Company	Formosa Development Corporation	Other related parties	Financial assets carried at cost－non-current	13,639	90,010	18.00%	223,514	18.00%	
The Company	Mai Liao Harbor Administration Corp	Other related parties	Financial assets carried at cost－non-current	39,562	539,245	17.98%	907,187	17.98%	
The Company	Formosa Plastics Marine Corporation Ltd	Other related parties	Financial assets carried at cost－non-current	2,429	15,000	15.00%	107,017	15.00%	
The Company	ASIA Pacific Investment Co.	Other related parties	Financial assets carried at cost－non-current	63,717	727,407	14.99%	2,531,209	14.99%	Note 2
The Company	Formosa Technologies Corporation	Other related parties	Financial assets carried at cost－non-current	1,800	13,331	12.50%	42.763	12.50%	Note 2
The Company	WK Technology Fund Ltd.	-	Financial assets carried at cost－non-current	2,548	43,421	1.63%	29,588	1.63%	Note 2

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Security holder	Category and name of security	Relationship between issuer of security and the company which holds securities	Account name	2014.12.31				The maximum holding percentage for the period	Notes
				Number of shares (in thousands)	Carrying value	Shareholding percentage	Market value or net asset value		
The Company	WK Technology Fund IV Ltd.	-	Financial assets carried at cost－non-current	2,283	$21,093	1.08%	$19,767	1.08%	Note 2
The Company	Central Leasing Corp.	-	Financial assets carried at cost－non-current	1,779	-	1.07%	-	1.07%	Note 2
The Company	Chinese Television System Inc.	-	Financial assets carried at cost－non-current	1,769	28,609	1.04%	56,554	1.04%	Note 2
The Company	China Investment & Development Company, Limited.	-	Financial assets carried at cost－non-current	1,287	8,250	0.80%	13,609	0.80%	Note 2
The Company	Taiwan Aerospace Corp.	-	Financial assets carried at cost－non-current	1,070	10,702	0.79%	13,084	0.79%	Note 2
The Company	AmTrust Capital I Corp.	-	Financial assets carried at cost－non-current	5,000	50,000	3.91%	50,691	3.91%	
The Company	Nan Ya Photonics Inc	Other related parties	Financial assets carried at cost－non-current	28,841	270,313	14.42%	254,802	14.42%	
Nan Ya PCB Corporation	Antig Technology Corporation	-	Financial assets carried at cost－non-current	1,132	-	5.48%	-	5.48%	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Hua Ya (Dong Ying) Plastics Corp.	-	Financial assets carried at cost－non-current	N/A	41,492	15.00%	111,548	15.00%	
Nan Ya Plastics (Hong Kong) Co., Ltd.	Hua Ya (Wu Hu) Plastics Corp.	-	Financial assets carried at cost－non-current	N/A	41,492	15.00%	148,232	15.00%	
Formosa Plastics Group Investment Corp	WK Technology Fund Ltd.	-	Financial assets carried at cost－non-current	3,779	42,158	2.42%	43,814	2.42%	Note 2
Formosa Plastics Group Investment Corp	WK Technology Fund IV Ltd.	-	Financial assets carried at cost－non-current	7,610	52,309	3.60%	65,830	3.60%	Note 2

Note 1：The Company pledged its shares of Formosa Plastics Corporation of 12,736 thousand common shares amounting to NTD 920,813.

Note 2：Stockholders' equity is based on an unaudited financial report.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(iv) The accumulated purchase or sale of securities for the period exceeding $300 million or 20% of the paid-in capital:

Company name	Category and name of security	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Carrying value	Gain/Loss on disposal	Shares	Amount
The Company	Shares of stock of Formosa Petrochemical Corp security	Investments accounted for using equity method	Formosa Petrochemical Corp	Associates	2,271,006	$57,289,047	-	-	47,700	$3,650,366 (Note 1)	$1,111,826	$2,538,951 (Note 2)	2,223,306	$55,883,546 (Note)
The Company	Shares of stock of Formosa Resources Corporation	Investments accounted for using equity method	Formosa Resources Corporation	Associates	300,000	3,025,362	116,250	1,162,500	-	-	-	-	416,250	4,359,188 (Note)
The Company	Shares of stock of Formosa Ha Tinh Steel Corporation	Investments accounted for using equity method	Formosa Ha Tinh Steel Corporation	Associates	-	15,236,442	-	-	-	- (Note 3)	15,286,553	- (Note 3)	-	-
The Company	Shares of stock of Formosa Ha Tinh (Cayman) Limited	Investments accounted for using equity method	Formosa Ha Tinh (Cayman) Limited	Associates	-	-	508,237	15,286,553 (Note 4)	-	-	-	-	508,237	15,761,452 (Note)
The Company	Hua Nan Phoenix Money Market	Available-for-sale financial assets－current	-	-	-	-	62,631	1,000,000	62,631	1,000,282	1,000,000	282	-	-
The Company	Franklin Templeton Sinoam Money Market	Available-for-sale financial assets－current	-	-	-	-	49,445	500,000	49,445	500,158	500,000	158	-	-
The Company	Taishin 1699 Money Market	Available-for-sale financial assets－current	-	-	-	-	37,728	500,000	37,728	500,155	500,000	155	-	-
Nan Ya PCB Corporation	FSITC Taiwan Money Market	Available-for-sale financial assets－current	-	-	8,140	1,418,802	-	-	8,140	1,420,420	1,418,802	1,618 (Note 5)	-	-

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Company name	Category and name of security	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Carrying value	Gain/Loss on disposal	Shares	Amount
Nan Ya PCB Corporation	FSITC Taiwan Money Market	Available-for-sale financial assets—current	-	-	7,498	$111,973	-	-	7,498	$112,107	$111,973	$134 (Note 6)	-	-
Nan Ya PCB Corporation	Mirae Asset Solomon Money Market Fund	Available-for-sale financial assets—current	-	-	24,099	297,103	-	-	24,099	298,125	297,103	1,022 (Note 7)	-	-
Nan Ya PCB Corporation	Franklin Templeton Sinoam Money Market	Available-for-sale financial assets—current	-	-	-	-	138,164	1,400,000	49,200	498,800	498,539	261	88,964	901,461 (Note 8)
Nan Ya PCB Corporation	Mega Diamond Money Market	Available-for-sale financial assets—current	-	-	13,077	159,999	219,587	2,700,000	-	-	-	-	232,664	2,859,999 (Note 9)
Nan Ya PCB Corporation	CTBC Hwa-win Money Market Fund	Available-for-sale financial assets—current	-	-	-	-	73,908	800,000	-	-	-	-	73,908	800,000 (Note 10)
Nan Ya PCB Corporation	Paradigm Pion Money Market	Available-for-sale financial assets—current	-	-	26,666	301,146	-	-	26,666	302,856	301,146	1,710 (Note 11)	-	-
Nan Ya PCB Corporation	Inotera Memories, Inc security	Available-for-sale financial assets—current	-	-	121,667	2,676,678	-	-	44,734	2,203,742	984,149	1,219,593 (Note 12)	76,933	1,692,529 (Note 13)
Nan Chung Petrochemical Corporation	Inotera Memories, Inc security	Available-for-sale financial assets—current	-	-	36,731	957,783	-	-	36,731	1,854,742	957,783	896,959	-	-

Note: End of period amount includes investment income and transaction adjustment under equity method.

Note 1: The amount excluded the securities transaction tax, underwriting expense, and service charges.

Note 2: The amount includes profit from disposal and proportionate recognition of profit from disposal of long-term investment capital surplus.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 3: There are no sales price and profit or loss from disposal because it is a share swap within the Group. For further explanation, please see page 28.

Note 4: It is a share swap within the Group. For further explanations, please see page 28.

Note 5: The aforementioned profit or loss from disposal sum does not include realized revaluation profit of NTD 17,693

Note 6: The aforementioned profit or loss from disposal sum does not include realized revaluation profit of NTD 1,963.

Note 7: The aforementioned profit or loss from disposal sum does not include realized revaluation profit of NTD 2,103.

Note 8: The aforementioned end-of-period amount does not include unrealized revaluation profit of NTD 505.

Note 9: The aforementioned end-of-period amount does not include unrealized revaluation profit of NTD 3,239.

Note 10: The aforementioned end-of-period amount does not include unrealized revaluation profit of NTD 22.

Note 11: The aforementioned profit or loss from disposal does not include realized revaluation profit of NTD 1,146.

Note 12: The aforementioned profit or loss from disposal does not include realized revaluation profit of NTD 145,043.

Note 13: The aforementioned end-of-period amount does not include unrealized revaluation profit of NTD 2,169,516.

(v) Information on the acquisition of real estate which exceeds $300 million or 20% of the paid-in capital for the year ended December 31, 2014: None.

(vi) Information on the disposal of real estate which exceeds $300 million or 20% of the paid-in capital for the year ended December 31, 2014: None.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(vii) Information regarding related-party purchase and sale transactions which exceed $100 million or 20% of the paid-in capital

Company name	Related party	Relationship	Transaction details				Abnormal transaction		Note/Account (payable) receivable		Notes
			Purchases/ (Sales)	Amount	% to total purchase /(sale)	Credit period	Unit price	Payment terms	Ending balance	% to total	
The Company	Formosa Plastics Corporation	Other Related Parties	(Sales)	$(1,253,076)	(0.65)%	30 days	-	-	$79,569	0.30%	
The Company	Formosa Chemicals and Fibre Corporation	Other Related Parties	(Sales)	(8,749,762)	(4.55)%	30 days	-	-	550,364	2.09%	
The Company	Nan Ya PCB Corporation	Subsidiaries	(Sales)	(1,297,318)	(0.67)%	30 days	-	-	90,761	0.34%	Note
The Company	Nanya Technology Corporation	Associates	(Sales)	(118,697)	(0.06)%	30 days	-	-	10,411	0.04%	
The Company	Formosa Petrochemical Corp	Associates	(Sales)	(1,500,668)	(0.78)%	30 days	-	-	88,595	0.34%	
The Company	Inotera Memories, Inc	Other Related Parties	(Sales)	(128,419)	(0.07)%	30 days	-	-	7,847	0.03%	
The Company	Sumpro Electronics Corporation	Other Related Parties	(Sales)	(240,050)	(0.12)%	30 days	-	-	-	0.00%	
The Company	Nan Chung Petrochemical Corporation	Subsidiaries	(Sales)	(349,067)	(0.18)%	30 days	-	-	-	0.00%	Note
The Company	Formosa Heavy Industries Corp.	Associates	(Sales)	(503,483)	(0.26)%	30 days	-	-	78,300	0.30%	
The Company	Formosa Taffta Co., Ltd.	Other Related Parties	(Sales)	(954,748)	(0.50)%	30 days	-	-	82,115	0.31%	
The Company	Nan Ya Plastics Corporation America	Subsidiaries	(Sales)	(491,160)	(0.26)%	O/A 105	-	-	111,334	0.42%	Note
The Company	Nan Ya Plastics Corporation U.S.A	Subsidiaries	(Sales)	(307,066)	(0.16)%	O/A 105	-	-	89,708	0.34%	Note
The Company	Nan Ya Plastics (Guangzhou) Co., Ltd.	Subsidiaries	(Sales)	(103,735)	(0.05)%	O/A 150	-	-	32,366	0.12%	Note
The Company	Nan Ya Electronic Materials (Huizhou) Co., Ltd.	Subsidiaries	(Sales)	(1,325,547)	(0.69)%	O/A 150	-	-	357,376	1.36%	Note
The Company	Nan Ya Plastics (Nantong) Co., Ltd.	Subsidiaries	(Sales)	(762,822)	(0.40)%	O/A 150	-	-	295,513	1.12%	Note

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Company name	Related party	Relationship	Transaction details				Abnormal transaction		Note/Account (payable) receivable		Notes
			Purchases/ (Sales)	Amount	% to total purchase /(sale)	Credit period	Unit price	Payment terms	Ending balance	% to total	
The Company	Nan Ya Plastics Film (Nantong) Co., Ltd.	Subsidiaries	(Sales)	$(120,367)	(0.06)%	O/A 150	-	-	$4,644	0.02%	Note
The Company	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Subsidiaries	(Sales)	(3,946,925)	(2.05)%	O/A 150	-	-	1,597,351	6.06%	Note
The Company	Nan Ya Polyester Fiber (Kunshan) Corporation	Subsidiaries	(Sales)	(227,121)	(0.12)%	O/A 150	-	-	132,229	0.50%	Note
The Company	Nan Ya Plastics (Ningbo) Co., Ltd.	Subsidiaries	(Sales)	(1,049,364)	(0.55)%	O/A 150	-	-	353,925	1.34%	Note
The Company	Formosa Industries Corporation	Associates	(Sales)	(4,079,506)	(2.12)%	O/A 150	-	-	1,499,896	5.69%	
The Company	Formosa Ha Tinh Steel Corporation	Associates	(Sales)	(8,825,574)	(4.59)%	O/A 150	-	-	8,159,138	30.96%	
The Company	Nan Ya PCB (Kunshan) Corporation	Subsidiaries	(Sales)	(147,025)	(0.08)%	O/A 150	-	-	45,903	0.17%	Note
The Company	Formosa Industries (Ningbo) Co., Ltd.	Other Related Parties	(Sales)	(473,509)	(0.25)%	O/A 150	-	-	7,465	0.03%	
The Company	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Other Related Parties	(Sales)	(336,135)	(0.17)%	O/A 150	-	-	75,015	0.28%	
The Company	Formosa Plastics Corporation	Other Related Parties	Purchases	15,598,032	10.80%	30 days	-	-	(1,047,754)	(8.48)%	
The Company	Formosa Chemicals and Fibre Corporation	Other Related Parties	Purchases	35,760,950	24.76%	30 days	-	-	(2,458,735)	(19.90)%	
The Company	Formosa Petrochemical Corp	Associates	Purchases	43,876,582	30.38%	30 days	-	-	(3,325,935)	(26.91)%	
The Company	PFG Fiber Glass Corporation	Associates	Purchases	3,229,596	2.24%	30 days	-	-	(184,502)	(1.49)%	
The Company	Nan Chung Petrochemical Corporation	Subsidiaries	Purchases	4,989,587	3.45%	30 days	-	-	(445,961)	(3.61)%	Note
Nan Ya PCB Corporation	Nan Ya PCB (Kunshan) Corporation	Subsidiaries	Purchases	12,556,192	53.58%	15 days before next month	-	-	(1,202,174)	(65.18)%	Note

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Company name	Related party	Relationship	Transaction details				Abnormal transaction		Note/Account (payable) receivable		Notes
			Purchases/ (Sales)	Amount	% to total purchase /(sale)	Credit period	Unit price	Payment terms	Ending balance	% to total	
Nan Chung Petrochemical Corporation	China Man-made Fiber Corporation	Other Related Parties	(Sales)	$(4,989,587)	(49.75)%	15 days before next month	-	-	$365,509	41.80%	
Nan Chung Petrochemical Corporation	Formosa Petrochemical Corp	Associates	Purchases	7,884,971	95.70%	15 days before next month	-	-	(606,265)	(99.62)%	
Nan Ya Plastics Corporation America	Formosa Plastics Corporation U.S.A.	Other Related Parties	Purchases	7,214,774	18.45%	payment within one month	-	-	(116,712)	(24.72)%	
Nan Ya Plastics Corporation America	Formosa Chemicals and Fibre Corporation	Other Related Parties	Purchases	108,281	0.28%	payment within one month	-	-	(15,859)	(3.36)%	
Nan Ya Plastics Corporation America	Formosa Plastics Corporation U.S.A.	Other Related Parties	(Sales)	(471,097)	(1.12)%	payment within one month	-	-	49,526	1.35%	
Nan Ya Plastics Corporation America	Nan Ya Plastics Corporation U.S.A	Subsidiaries	(Sales)	(167,076)	(0.40)%	payment within one month	-	-	11,162	0.30%	Note
Nan Ya Plastics Corporation U.S.A.	Formosa Plastics Corporation U.S.A.	Other Related Parties	Purchases	$970,036	37.95%	payment within one month	-	-	$(68,220)	(28.36)%	
Nan Ya PCB (Kunshan) Corporation	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Subsidiaries	Purchases	1,720,465	20.95%	60 days	-	-	(295,205)	(25.34)%	Note
Nan Ya Plastics (Guangzhou) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other Related Parties	Purchases	134,085	15.68%	60 days	-	-	(17,264)	(21.29)%	
Nan Ya Plastics (Guangzhou) Co., Ltd.	Formosa Plastics Corporation	Other Related Parties	Purchases	149,922	17.53%	60 days	-	-	(26,949)	(33.23)%	
Nan Ya Rigid Film (Guangzhou) Co., Ltd.	Formosa Plastics Corporation	Other Related Parties	Purchases	225,882	42.29%	60 days	-	-	(27,171)	(51.49)%	
Nan Ya Plastics (Hsiamen) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other Related Parties	Purchases	158,404	14.97%	60 days	-	-	(62,770)	(64.93)%	
Nan Ya Plastics (Hsiamen) Co., Ltd.	Nan Ya Plastics Construction Materials (Guangzhou) Co., Ltd.	Subsidiaries	(Sales)	(115,551)	(8.01)%	60 days	-	-	40,474	15.37%	Note
Nan Ya Plastics (Nantong) Co., Ltd.	Nanya Kyowa Plastics (Nantong) Co., Ltd.	Associates	(Sales)	(166,510)	(2.90)%	60 days	-	-	3,260	0.16%	

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Company name	Related party	Relationship	Transaction details				Abnormal transaction		Note/Account (payable) receivable		Notes
			Purchases/ (Sales)	Amount	% to total purchase /(sale)	Credit period	Unit price	Payment terms	Ending balance	% to total	
Nan Ya Plastics (Nantong) Co., Ltd.	Formosa Plastics Corporation	Other Related Parties	Purchases	$156,783	3.33%	O/A 150	-	-	$(26,904)	(5.05)%	
Nan Ya Plastics (Nantong) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other Related Parties	Purchases	347,060	7.36%	60 days	-	-	(47,730)	(8.96)%	
Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd.	Subsidiaries	(Sales)	(143,871)	(2.50)%	60 days	-	-	14,501	0.73%	Note
Nan Ya Plastics Film (Nantong) Co., Ltd.	Formosa Industries (Ningbo) Co., Ltd.	Other Related Parties	Purchases	210,018	10.01%	60 days	-	-	(22,107)	(14.20)%	
Nan Ya Plastics Film (Nantong) Co., Ltd.	Formosa Acrylic Esters (Ningbo) Co., Ltd.	Other Related Parties	Purchases	173,002	8.24%	60 days	-	-	(17,525)	(11.26)%	
Nan Ya Plastics Film (Nantong) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd.	Subsidiaries	(Sales)	157,767	5.64%	60 days	-	-	(55,595)	(7.86)%	Note
Nan Ya Plastics Film (Nantong) Co., Ltd.	Formosa Plastics Corporation	Other Related Parties	Purchases	114,246	5.44%	O/A 60	-	-	(33,331)	(21.42)%	
Nan Ya Plastics (Ningbo) Co., Ltd.	Formosa Chemicals Industries (Ningbo) Limited Company	Other Related Parties	Purchases	330,790	14.97%	60 days	-	-	(14,511)	(3.40)%	
Nan Ya Plastics (Ningbo) Co., Ltd.	Formosa Power (Ningbo) Limited Company	Other Related Parties	Purchases	116,755	5.28%	60 days	-	-	(22,881)	(5.36)%	
Nan Ya Polyester Fiber (Kunshan) Corporation	Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Subsidiaries	(Sales)	(261,138)	(10.76)%	60 days	-	-	30,937	11.08%	Note
Nan Ya Polyester Fiber (Kunshan) Corporation	Nan Ya Plastics (Nantong) Co., Ltd.	Subsidiaries	(Sales)	(137,941)	(5.69)%	60 days	-	-	20,284	7.27%	Note
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Plastics Corporation	Other Related Parties	Purchases	226,583	0.74%	O/A 60	-	-	(68,424)	(2.05)%	
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd.	Subsidiaries	(Sales)	(2,124,146)	(5.61)%	60 days	-	-	613,166	4.53%	Note
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	PFG Fiber Glass (Kunshan) Co. Ltd.	Associates	(Sales)	(516,341)	(1.36)%	60 days	-	-	60,018	0.44%	

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Company name	Related party	Relationship	Transaction details				Abnormal transaction		Note/Account (payable) receivable		Notes
			Purchases/ (Sales)	Amount	% to total purchase /(sale)	Credit period	Unit price	Payment terms	Ending balance	% to total	
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya PCB (Kunshan) Corporation	Subsidiaries	(Sales)	$(2,487,450)	(6.57)%	60 days	-	-	$381,833	2.82%	Note
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	PFG Fiber Glass (Kunshan) Co. Ltd.	Associates	Purchases	3,636,761	11.88%	60 days	-	-	(543,334)	(16.27)%	

Note：This transaction has already been written-off during the consolidation process.

(viii) Information regarding receivables from related parties which exceed $100 million or 20% of the paid-in capital

Company name	Related party	Relationship	Ending balance	Turnover day	Overdue		Amounts received in subsequent periods	Allowance for bad debts
					Amount	Action taken		
The Company	Formosa Chemicals and Fibre Corporation	Other Related Parties	Receivables from related parties：550,364	12.97	-	-	$544,088	-
The Company	Nan Ya Plastics Corporation America (Note 1)	Subsidiaries	Receivables from related parties：111,334	6.27	-	-	24,465	-
The Company	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties：357,376	3.64	-	-	73,399	-
The Company	Nan Ya Plastics (Nantong) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties：295,513	3.19	-	-	60,119	-
The Company	Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties：1,597,351	3.47	-	-	272,441	-
The Company	Nan Ya Polyester Fiber (Kunshan) Corporation (Note 1)	Subsidiaries	Receivables from related parties：132,229	3.44	-	-	692	-

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Company name	Related party	Relationship	Ending balance	Turnover day	Overdue		Amounts received in subsequent periods	Allowance for bad debts
					Amount	Action taken		
The Company	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties：353,925	4.62	-	-	$8,692	-
The Company	Formosa Industries Corporation	Associates	Receivables from related parties：1,499,896	4.82	-	-	577,758	-
The Company	Formosa Ha Tinh Steel Corporation	Associates	Receivables from related parties：8,159,138	2.15	-	-	475	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Receivables from related parties：613,166	4.03	-	-	184,877	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya PCB (Kunshan) Corporation (Note 1)	Subsidiaries	Receivables from related parties：381,833	5.51	-	-	221,048	-
Nan Chung Petrochemical Corporation	China Man-made Fiber Corporation	Other Related Parties	Receivables from related parties：425,341	-	-	-	-	-
The Company	Formosa Petrochemical Corp	Associates	Other receivables from related parties：500,000	Note	-	-	-	-
The Company	Nanya Technology Corporation	Associates	Other receivables from related parties：13,400,000	Note	-	-	-	-
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Polyester Fiber (Kunshan) Corporation (Note 1)	Subsidiaries	Other receivables from related parties：6,893,526	Note	-	-	-	-
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：15,178,552	Note	-	-	-	-
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：475,769	Note	-	-	-	-
Nan Ya Plastics (Hong Kong) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：1,966,511	Note	-	-	-	-

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Company name	Related party	Relationship	Ending balance	Turnover day	Overdue		Amounts received in subsequent periods	Allowance for bad debts
					Amount	Action taken		
Superior World Wide Trading Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：164,933	Note	-	-	-	-
Nan Ya Plastics Construction Materials (Guangzhou) Co., Ltd.	Nan Ya Polyester Fiber (Kunshan) Corporation (Note 1)	Subsidiaries	Other receivables from related parties：103,669	Note	-	-	-	-
Nan Ya Plastics (Hsiamen) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：129,586	Note	-	-	-	-
Nan Ya Plastics (Hsiamen) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：103,669	Note	-	-	-	-
Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：259,172	Note	-	-	-	-
Nan Ya Plastics (Huizhou) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：617,754	Note	-	-	-	-
Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：155,503	Note	-	-	-	-
Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Plastics (Anshan) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：430,226	Note	-	-	-	-
Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：103,669	Note	-	-	-	-
Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Electric (Nantong) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：207,338	Note	-	-	-	-
Nan Ya Plastics (Nantong) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：958,936	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：301,316	Note	-	-	-	-

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Company name	Related party	Relationship	Ending balance	Turnover day	Overdue		Amounts received in subsequent periods	Allowance for bad debts
					Amount	Action taken		
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：1,762,540	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：976,993	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Ps (Ningbo) Limited Company	Other Related Parties	Other receivables from related parties：518,344	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Abs Plastics (Ningbo) Limited Company	Other Related Parties	Other receivables from related parties：1,555,032	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Formosa Phenol (Ningbo) Limited Company	Other Related Parties	Other receivables from related parties：632,380	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics (Zhengzhou) Co., Ltd	Associates	Other receivables from related parties：264,355	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	PFG Fiber Glass (Kunshan) Co. Ltd.	Associates	Other receivables from related parties：1,596,738	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Polyester Fiber (Kunshan) Corporation (Note 1)	Subsidiaries	Other receivables from related parties：326,690	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Fujian Fuxin Special Steel Co., Ltd.	Other Related Parties	Other receivables from related parties：3,369,236	Note	-	-	-	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd.	Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 1)	Subsidiaries	Other receivables from related parties：74,885	Note	-	-	-	-
Nan Ya Pcb Corporation	Hwa Ya Power Corporation	Other Related Parties	Other receivables from related parties：1,000,000	Note	-	-	-	-
Nan Ya PCB (Kunshan) Corporation	PFG Fiber Glass (Kunshan) Co. Ltd.	Associates	Other receivables from related parties：1,034,340	Note	-	-	$154,255	-

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Company name	Related party	Relationship	Ending balance	Turnover day	Overdue		Amounts received in subsequent periods	Allowance for bad debts
					Amount	Action taken		
Nan Ya PCB (HK) Corporation	Nan Ya PCB (Kunshan) Corporation (Note 1)	Subsidiaries	Other receivables from related parties：818,322	Note	-	-	$271,372	-
Nan Ya Plastics Corporation America	Nan Ya Plastics Corporation U.S.A. (Note 1)	Subsidiaries	Other receivables from related parties：124,273	Note	-	-	-	-

Note: We did not calculate the turnover rate for Receivables from Associates.

Note 1: This transaction has already been written-off during the consolidation process.

(ix) For information regarding trading in derivative financial instruments: None.

(x) Intercompany relationships and significant intercompany transactions:

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			
				Financial Statement Item	Amount	Terms	Percentage of consolidated total gross sales or total assets
0	The Company	Nan Ya PCB Corporation and its subsidiaries	a	Sales	$1,444,342	30~150 days	0.44%
0	The Company	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	a	Sales	7,974,452	O/A 150	2.45%

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			
				Financial Statement Item	Amount	Terms	Percentage of consolidated total gross sales or total assets
0	The Company	Nan Ya Plastics Corporation U.S.A.	a	Sales	$307,066	O/A 105	0.09%
0	The Company	Nan Ya Plastics Corporation America	a	Sales	491,160	O/A 105	0.15%
0	The Company	Nan Chung Petrochemical Corporation	a	Sales	349,067	30 days	0.11%
1	Nan Chung Petrochemical Corporation	The Company	b	Sales	4,989,587	30 days	1.53%
2	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	Nan Ya PCB Corporation and its subsidiaries	c	Sales	2,488,112	60 days	0.76%
0	The Company	Nan Ya PCB Corporation and its subsidiaries	a	Accounts receivable	136,663	30~150 days	0.03%
0	The Company	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	a	Accounts receivable	2,932,017	O/A 150	0.55%
0	The Company	Nan Ya Plastics Corporation U.S.A.	a	Accounts receivable	89,708	O/A 105	0.02%
0	The Company	Nan Ya Plastics Corporation America	a	Accounts receivable	111,334	O/A 105	0.02%
0	The Company	Nan Chung Petrochemical Corporation	a	Accounts receivable	-	30 days	0.00%
1	Nan Chung Petrochemical Corporation	The Company	b	Accounts receivable	445,961	30 days	0.08%
2	Nan Ya Plastics (Hong Kong) Co., Ltd. and its subsidiaries	Nan Ya PCB Corporation and its subsidiaries	c	Accounts receivable	389,246	60 days	0.07%
0	The Company	Nan Ya PCB Corporation and its subsidiaries	a	Rent revenue	166,005	30~150 days	0.05%

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			
				Financial Statement Item	Amount	Terms	Percentage of consolidated total gross sales or total assets
3	Nan Ya PCB (Kunshan) Corporation	Nan Ya PCB Corporation and its subsidiaries	b	Sales	$12,556,192	15 days before next month	35.91%
3	Nan Ya PCB (Kunshan) Corporation	Nan Ya PCB Corporation and its subsidiaries	b	Accounts receivable	1,202,174	15 days before next month	2.51%
4	Nan Ya PCB (HK) Corporation	Nan Ya PCB (Kunshan) Corporation	c	Other receivables from related parties	818,322	-	1.71%

Note 1: The appointed numbers represent:

1.0 refers to the Parent Company.

2. Subsidiaries are numbered and organized in a ascending chronological order in an ascending chronological order.

Note 2: Transactions are categorized as follows:

a. Parent company to subsidiary.

b. Subsidiary to parent company.

c. Subsidiary to subsidiary.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Information on investment (excluding those in Mainland China)：

Investor company	Investee company	Location	Major operations	Original investment Amount		Balance as of Dec 31, 2014			Maximum number of shares held during the period	Net income of investee	Investment income (loss) recognized by the investor company	Notes
				December 31, 2014	December 31, 2013	Shares (in thousands)	%	Carrying value				
The Company	Nan Ya Plastics Corporation U.S.A. (Note)	U.S.A.	production of plastic products	$313,920	$313,920	2	100.00%	$1,316,449	100.00%	$153,166	$153,166	(Note 8, 9)
The Company	Nan Ya Plastics Corporation America (Note)	U.S.A.	production of plastic, polyester and chemical products	7,853,605	7,853,605	60	100.00%	29,245,426	100.00%	2,886,088	2,886,088	(Note 8, 9)
The Company	Nan Ya Plastics (Hong Kong) Co., Ltd. (Note 1)	Hong Kong	plastics trading, investment holding	34,858,082	34,858,082	844,053	100.00%	72,904,487	100.00%	773,402	773,402	(Note 8, 9)
The Company	Superior World Wide Trading Co., Ltd. (Note 1)	Hong Kong	plastics trading, investment holding	33,677	33,677	14	99.99%	500,599	99.99%	55,125	55,120	(Note 8, 9)
The Company	Formosa Synthetic Rubber (Hong Kong)Corporation Limited (Note)	Hong Kong	production of synthetic rubber products	874,680	874,680	30,000	30.00%	914,644	30.00%	(106,564)	(31,969)	(Note 8)
The Company	Pfg Fiber Glass (Hong Kong) Corporation Limited(Note 1)	Hong Kong	glass fiber trading	1,268,709	1,268,709	38	50.00%	3,513,307	50.00%	(154,700)	(84,315)	(Note 8)
The Company	Formosa Industries Corporation (Note 2)	Vietnam	Chemicals trading	8,435,875	8,435,875	-	42.50%	8,413,832	42.50%	1,176,429	499,982	(Note 8)
The Company	Nan Ya PCB Corporation	Taiwan	production of printed circuit board	4,480,417	4,480,417	432,745	66.97%	25,675,805	66.97%	1,614,770	1,081,431	(Note 8, 9)
The Company	Formosa Plastics Group Investment Corp	Taiwan	investment	76,859	76,859	5,000	100.00%	109,010	100.00%	4,226	4,226	(Note 8, 9)

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Investor company	Investee company	Location	Major operations	Original investment Amount		Balance as of Dec 31, 2014			Maximum number of shares held during the period	Net income of investee	Investment income (loss) recognized by the investor company	Notes
				December 31, 2014	December 31, 2013	Shares (in thousands)	%	Carrying value				
The Company	Nanya Technology Corporation (Note 6)	Taiwan	Semiconductor trading	$52,438,471	$52,437,889	907,304	37.65%	$15,404,498	37.83%	$28,241,527	$10,679,725	(Note 8)
The Company	Formosa Environmental Technology Corporation(Note 7)	Taiwan	environmental protection	672,370	672,370	46,257	26.99%	297,154	26.99%	(24,638)	(6,649)	(Note 8)
The Company	Formosa Petrochemical Corp	Taiwan	production of chemical products	24,893,809	25,427,894	2,223,306	23.34%	55,883,546	23.84%	9,065,576	2,119,650	(Note 8)
The Company	PFG Fiber Glass Corporation	Taiwan	production of glass fiber	500,000	500,000	50,000	50.00%	852,384	50.00%	251,648	125,824	(Note 8)
The Company	Nan Chung Petrochemical Corporation	Taiwan	production of chemical products	1,000,002	1,000,002	100,000	50.00%	1,549,068	50.00%	958,810	478,772	(Note 8, 9)
The Company	Wen Fung Industrial Co., Ltd.	Taiwan	production of electronic components	214,236	94,250	18,738	100.00%	225,914	100.00%	(3,847)	(13,549)	(Note 8, 9)
The Company	Formosa Automobile Corporation (Note 3, 4)	Taiwan	production of automobile	945,028	945,028	27,046	45.00%	-	45.00%	47,353	21,309	(Note 8)
The Company	Ya Tai Development Corporation	Taiwan	development industry	53,941	53,941	1,304	44.96%	48,969	44.96%	43,664	19,632	(Note 8)
The Company	Formosa Heavy Industries Corp.	Taiwan	machinery industry	2,497,721	2,497,721	589,246	32.91%	8,075,695	32.91%	2,102,363	691,904	(Note 8)
The Company	Formosa Fairway Corporation	Taiwan	transportation business	33,340	33,340	4,253	33.34%	73,599	33.34%	4,415	1,472	(Note 8)
The Company	Formosa Plastics Transport Corporation	Taiwan	transportation business	17,254	17,254	3,993	33.33%	694,457	33.33%	87,118	73,954	(Note 8)

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Investor company	Investee company	Location	Major operations	Original investment Amount		Balance as of Dec 31, 2014			Maximum number of shares held during the period	Net income of investee	Investment income (loss) recognized by the investor company	Notes
				December 31, 2014	December 31, 2013	Shares (in thousands)	%	Carrying value				
The Company	Hwa Ya Science Park Management Consulting Co. Ltd.	Taiwan	service business	$359	$359	34	34.00%	$2,207	34.00%	$1,030	$350	(Note 8)
The Company	Yi-Jih Development Corporation	Taiwan	construction business	58,000	58,000	5,800	29.22%	63,290	29.22%	1,138	333	(Note 8)
The Company	Mai Liao Power Corporation	Taiwan	electricity generation business	5,985,465	5,985,465	498,837	24.94%	11,427,994	24.94%	6,534,496	1,629,824	(Note 8)
The Company	Su Hua Transport Corporation	Taiwan	transportation business	50,000	50,000	7,659	25.00%	180,078	25.00%	80,841	20,210	(Note 8)
The Company	Formosa Ha Tinh Steel Corporation (Note)	Vietnam	steel business	-	15,369,735	-	-	-	15.53%	(1,350,588)	(199,212)	(Note 8)
The Company	Formosa Ha Tinh (Cayman) Limited (Note)	Cayman Islands	investment	15,369,735	-	508,237	14.75%	15,761,452	14.75%	(1,158,209)	(173,183)	(Note 8)
The Company	Formosa Synthetic Rubber Corporation	Taiwan	production of synthetic rubber products	400,000	400,000	40,000	33.33%	376,339	33.33%	435	145	(Note 8)
The Company	Formosa Resources Corporation	Taiwan	mining industry	4,162,500	3,000,000	416,250	25.00%	4,359,188	25.00%	(275,491)	(68,873)	(Note 8)
The Company	Formosa Group (Cayman) Limited (Note)	Cayman Islands	investment	377	377	13	25.00%	21,941	25.00%	82,602	20,651	(Note 8)
The Company	Formosa Group Investment (Cayman) Limited (Note)	Cayman Islands	investment	377	-	13	25.00%	384	25.00%	(47)	(12)	(Note 8)
The Company	Formosa Plastics Development Co., Ltd	Taiwan	construction business	15,000	-	1,500	33.33%	14,559	33.33%	(1,366)	(455)	(Note 8)
Nan Ya Plastics Corporation America (Note)	Formosa Utility Venture, Ltd.	U.S.A.	electricity generation and trading	253,744	253,744	-	12.10%	1,751,977	12.10%	710,836	86,011	(Note 8)

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Investor company	Investee company	Location	Major operations	Original investment Amount		Balance as of Dec 31, 2014			Maximum number of shares held during the period	Net income of investee	Investment income (loss) recognized by the investor company	Notes
				December 31, 2014	December 31, 2013	Shares (in thousands)	%	Carrying value				
Nan Ya PCB Corporation	Formosa Petrochemical Corp	Taiwan	production of chemical products	$654,868	$654,868	11,958	0.13%	$670,510	0.13%	$9,065,576	$11,381	(Note 8)
Nan Ya PCB Corporation	Nan Ya PCB (HK) Corporation	Hong Kong	electronic materials trading	5,020,900	5,020,900	1,223,820	100.00%	12,317,907	100.00%	335,770	335,770	(Note 8, 9)
Nan Ya PCB Corporation	Nan Ya PCB (U.S.A.) Corporation	U.S.A.	electronic materials repair	3,479	3,479	1,000	100.00%	10,185	100.00%	1,202	1,202	(Note 8, 9)
Nan Ya PCB (HK) Corporation	Nan Ya PCB (Kunshan) Corporation	China	production of printed circuit board	5,017,721	5,017,721	-	100.00%	12,308,122	100.00%	336,594	336,594	(Note 8, 9)
Wen Fung Industrial Co., Ltd.	Wenling Technology Corporation	Taiwan	production of electronic components	$212,017	$212,017	12,370	100.00%	$129,872	100.00%	$(3,838)	$(3,838)	(Note 8, 9)
Superior World Wide Trading Co., Ltd. (Note 1)	P.T.Indonesia Nanya Indah Plastics Co	Indonesia	production of plastic products	128,360	128,360	5	50.00%	186,330	50.00%	113,977	56,988	(Note 8)
Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 3)	Nan Ya Property (Kunshan) Co., Ltd.	China	real estate development	1,093,706	1,093,706	-	100.00%	1,069,362	100.00%	4,095	4,095	(Note 8, 9)
Nan Ya Rigid Film (Guangzhou) Co., Ltd. (Note 3)	Nan Ya Plastics (Guangzhou) Co., Ltd.	China	production of polyester products	382,596	382,596	-	15.00%	155,687	15.00%	(70,037)	(10,506)	(Note 8, 9)

Note: The reporting currency of Nan Ya Plastics Corporation America, Nan Ya Plastics Corporation U.S.A., Formosa Synthetic Rubber (Hong Kong)Corporation Limited, Formosa Ha Tinh Steel Corporation, Formosa Ha Tinh (Cayman) Limited、Formosa Group (Cayman) Limited and Formosa Group Investment (Cayman) Limited is denominated in USD, and the exchange rate of NTD to USD as of December 31, 2014 (in average) is 31.718(30.382)：1.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1: The reporting currency of Nan Ya Plastics (Hong Kong) Co., Ltd., Superior World Wide Trading Co., Ltd. and PFG Fiber Glass (Hong Kong) Corporation Limited is denominated in HKD, and the exchange rate of NTD to HKD as of December 31, 2014 (in average) is 4.0664(3.8951)：1.

Note 2: The reporting currency of Formosa Industries Corporation is denominated in VND, and the exchange rate of NTD to VND as of December 31, 2014 (in average) is 0.001483(0.001433)：1.

Note 3: The reporting currency of Nan Ya Property (Kunshan) Co., Ltd. and Nan Ya Plastics (Guangzhou) Co., Ltd. is denominated in RMB, and the exchange rate of NTD to RMB as of December 31, 2014 (in average) is 1：1.2747 (1.2698).

Note 4: Due to the fact that cumulative losses from investments under equity method have already exceeded the long-term investment book value of NTD123,588, the excess is reclassified to other non-current liabilities。

Note 5: Formosa Automobile Corporation initiated a capital reduction on August 15, 2006 for NTD 674,570.

Note 6: Nanya Technology Corporation initiated capital reductions on June 23, 2009 and June 27, 2014 for NTD 17,361,352 and NTD 32,762,452, respectively.

Note 7: Formosa Environmental Technology Corporation initiated a capital reduction on April 30, 2010 for NTD 209,084.

Note 8: Investment income of the current period does not include cumulative translation adjustment and capital surplus adjustment.

Note 9: This transaction has already been written-off during the consolidation process.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information regarding investments in Mainland China:

Name of the PRC investee company	Primary business scope	Amount of paid-in capital	Method of investment	Investment transferred from Taiwan, beginning of period	Year ended December 31, 2014		Investment transferred from Taiwan, end of period	Equity in the earnings (losses)	Direct and indirect shareholding percentage by the company	The maximum holding percentage for the period	Recognized gain or loss from investment for the current period (Note 2)	Carrying value of investment, end of period (Note 1)	Remitted gain on investment, end of period
					Remittance	Remittance							
Nan Ya Plastics (Guangzhou) Co., Ltd. (Note 1)	production of polyester products	$1,150,313	Indirect investment	$810,685	-	-	$810,685	$(70,037)	85.00%	85.00%	$(59,531)	$882,226	$611,825
Nan Ya Plastics Construction Materials (Guangzhou) Co., Ltd. (Note 1)	production of plastic products	506,500	Indirect investment	506,500	-	-	506,500	19,142	100.00%	100.00%	19,142	645,910	-
Nan Ya Rigid Film (Guangzhou) Co., Ltd. (Note 1)	production of polyester products	681,496	Indirect investment	681,496	-	-	681,496	(80,512)	100.00%	100.00%	(80,512)	1,241,169	-
Nan Ya Plastics (Hsiamen) Co., Ltd. (Note 1)	production of plastic products	936,288	Indirect investment	738,752	-	-	738,752	126,018	85.00%	85.00%	107,116	1,194,304	72,820
Nan Ya Plastics (Huizhou) Co., Ltd. (Note 1)	production of polyester products	1,679,527	Indirect investment	1,679,527	-	-	1,679,527	172,145	100.00%	100.00%	172,145	3,332,992	-
Nan Ya Plastics Film (Huizhou) Co., Ltd. (Note 1)	production of polyester products	738,870	Indirect investment	738,870	-	-	738,870	(173,860)	100.00%	100.00%	(173,860)	542,245	-
Nan Ya Electronic Materials (Huizhou) Co., Ltd. (Note 1)	production of electronic materials	1,180,918	Indirect investment	1,180,918	-	-	1,180,918	(11,957)	100.00%	100.00%	(11,957)	1,329,232	-
Nan Ya Trading (Huizhou) Co., Ltd. (Note 1)	trading	32,267	Indirect investment	32,267	-	-	32,267	4,518	100.00%	100.00%	4,518	50,945	-
Nan Ya Plastics (Nantong) Co., Ltd. (Note 1)	production of plastic products, production of steam and electricity	2,031,330	Indirect investment	1,973,292	-	-	1,973,292	528,227	100.00%	100.00%	528,227	6,339,401	103,612
China Nantong Huafeng Co., Ltd. (Note 1)	production of plastic products	108,507	Indirect investment	99,636	-	-	99,636	(3,300)	100.00%	100.00%	(3,300)	53,231	-

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of the PRC investee company	Primary business scope	Amount of paid-in capital	Method of investment	Investment transferred from Taiwan, beginning of period	Year ended December 31, 2014		Investment transferred from Taiwan, end of period	Equity in the earnings (losses)	Direct and indirect shareholding percentage by the company	The maximum holding percentage for the period	Recognized gain or loss from investment for the current period (Note 2)	Carrying value of investment, end of period (Note 1)	Remitted gain on investment, end of period
					Remittance	Remittance							
Nantong Huafu Plastics Co., Ltd. (Note 1)	production of plastic products	$96,639	Indirect investment	$71,503	-	-	$71,503	$2,149	100.00%	100.00%	$2,149	$98,531	-
Nan Ya Electric (Nantong) Co., Ltd. (Note 1)	production of switch gear and control panel	339,275	Indirect investment	339,275	-	-	339,275	133,080	100.00%	100.00%	133,080	1,109,424	-
Nan Ya Plastics Film (Nantong) Co., Ltd. (Note 1)	production of plastic products	1,035,626	Indirect investment	1,035,626	-	-	1,035,626	87,814	100.00%	100.00%	87,814	2,155,550	-
Nanya Kyowa Plastics (Nantong) Co., Ltd.	interior decorating business	200,988	Indirect investment	100,494	-	-	100,494	41,714	50.00%	50.00%	20,857	161,712	-
Nan Ya Electronic Materials (Kunshan) Co., Ltd. (Note 1)	production of electronic materials	15,159,216	Indirect investment	15,159,216	-	-	15,159,216	1,938,361	100.00%	100.00%	1,938,361	47,061,177	-
Nan Ya Polyester Fiber (Kunshan) Corporation (Note 1)	production of polyester products	7,035,085	Indirect investment	7,035,085	-	-	7,035,085	(184,066)	100.00%	100.00%	(184,066)	3,732,196	-
Nan Ya Plastics (Zhengzhou) Co.,Ltd	production of plastic products	261,737	Indirect investment	130,869	-	-	130,869	178	50.00%	50.00%	89	54,281	-
Nan Ya Plastics (Anshan) Co., Ltd. (Note 1)	production of plastic products	260,458	Indirect investment	260,458	-	-	260,458	(100,049)	100.00%	100.00%	(100,049)	-	-
Nan Ya Plastics (Ningbo) Co., Ltd. (Note 1)	production of plastic products and plasticizer	2,188,834	Indirect investment	1,989,308	-	-	1,989,308	(413,216)	100.00%	100.00%	(413,216)	1,959,211	-
PFG Fiber Glass (Kunshan) Co. Ltd.	glass fiber trading	2,784,566	Indirect investment	1,260,130	-	-	1,260,130	(176,860)	50.00%	50.00%	(88,430)	3,537,823	149,416
Hua Ya (Dong Ying) Plastics Corp.	production of plastic products	286,845	Indirect investment	34,591	-	-	34,591	-	15.00%	15.00%	-	41,492	23,020
Hua Ya (Wu Hu) Plastics Corp.	production of plastic products	286,845	Indirect investment	34,591	-	-	34,591	-	15.00%	15.00%	-	41,492	12,687

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of the PRC investee company	Primary business scope	Amount of paid-in capital	Method of investment	Investment transferred from Taiwan, beginning of period	Year ended December 31, 2014		Investment transferred from Taiwan, end of period	Equity in the earnings (losses)	Direct and indirect shareholding percentage by the company	The maximum holding percentage for the period	Recognized gain or loss from investment for the current period (Note 2)	Carrying value of investment, end of period (Note 1)	Remitted gain on investment, end of period
					Remittance	Remittance							
Formosa Synthetic Rubber (Ningbo) Co., Ltd.	synthetic rubber	$2,986,000	Indirect investment	$874,680	-	-	$874,680	$(106,564)	30.00%	30.00%	$(31,969)	$914,644	-

Note: All companies disclosed within this investment income of the current year column are recognized according to the audited financial statements of the Consolidated Company except for PFG Fiber Glass (Kunshan) Co. Ltd. and Formosa Synthetic Rubber (Ningbo) Co., Ltd., which are recognized according to financial statements audited by an international accounting firm.

Accumulative remittance from Taiwan to Mainland China, end of the period (Note 1)	Amount of investment approved by Investment Commission, Ministry of Economic Affairs (Note 2)	Limit on the amount of investment in Mainland China (Note 3)
36,767,769	39,018,080	-

Note 1：Reporting currency of Chinese subsidiaries is RMB, and the monetary amount is first translated to HKD using the exchange rate as of December 31, 2014 (in average) of 1：1.2747(1.2698), and translated to NTD using the exchange rate as of December 31, 2014 (in average) of 1：4.0664 (3.8951).

Note 2：It includes the amount of NTD 2,015,657 from approved capital increase, capital increase out of earnings and capital increase out of capital surplus.

Note 3：The Industrial Development Bureau of the MOEA issued a letter to the Company stating that it qualifies under Section 12 of the Statute for Upgrading Industries.

(Continued)

14. Operating Segments

(1) General Information

The Consolidated Company’s four reportable segments are: plastics products, plastic materials, electronic materials and fiber products. Plastic products department mainly engaged in the manufacture and sale of flexible PVC sheets and other plastics processing products; plastic materials department is mainly engaged in the manufacture and sale of ethylene glycol and other plastic petrochemical raw materials; electronic materials department is mainly engaged in the manufacture and sale of copper clad laminate; fiber products department is mainly engaged in the manufacture and sale of polyester products.

The Consolidated Company’s reportable segments are responsible for the Consolidated Company's strategic business units, including the manufacturing and supplying of different products. As each strategic business unit requires different technology and marketing strategies, each unit is administered individually.

(2) Segment revenue and operating results

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, excluding any shares of profit (loss) of associates and joint ventures accounted for using equity method, income tax, extraordinary gains and losses, and foreign exchange gains and losses, because they are managed on a group basis, and hence they are not allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

There were no material differences between the accounting policies adopted for the Consolidated Company’s operating segments and those described in Note 4. The terms and conditions for the Consolidated Company’s intersegment sales and transfers are the same as those of third-party transactions, which are measured at market price.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Operating segments are combined and reconciled as follows:

	For the year ended December 31,2013						
	Plastics Product	Plastics Material	Electronic Materials	Polyester Product	Other Department	Reconciliations	Total
Revenue：							
Net revenue from external customers	$ 49,244,721	96,795,993	85,193,570	73,674,940	6,096,065	-	311,005,289
Net revenue from sales among intersegments	853,241	5,882,662	8,232,395	920,706	5,831,040	(21,720,044)	-
Interest revenue	79,014	18,825	589,053	2,509	1,232,126	(397,274)	1,524,253
Total revenue	$ 50,176,976	102,697,480	94,015,018	74,598,155	13,159,231	(22,117,318)	312,529,542
Interest expense	$ 58,906	317,955	172,809	5,116	2,043,188	(397,274)	2,200,700
Depreciation and amortization	1,947,837	4,764,246	7,140,745	1,850,524	454,925	-	16,158,277
Share of profit (loss) of associates and joint ventures accounted for using equity method	-	-	-	-	-	-	12,726,562
Reportable segment profit or loss	$ 3,665,073	9,142,638	2,047,652	3,336,922	17,217,408	(4,452,230)	30,957,463
Reportable segment assets	$ 40,685,941	72,354,320	130,039,527	42,595,496	360,955,293	(122,120,447)	524,510,130
Reportable segment liabilities	$ 10,918,564	23,867,788	23,257,566	7,653,182	166,713,084	(3,247,605)	229,162,579

	For the year ended December 31,2014						
	Plastics Product	Plastics Material	Electronic Materials	Polyester Product	Other Department	Reconciliations	Total
Revenue：							
Net revenue from external customers	$ 50,270,453	90,948,672	100,284,604	66,997,447	16,971,970	-	325,473,146
Net revenue from sales among intersegments	1,022,110	7,410,413	9,026,372	831,326	3,625,856	(21,916,077)	-
Interest revenue	141,568	6,119	553,546	1,860	1,161,332	(476,586)	1,387,839
Total revenue	$ 51,434,131	98,365,204	109,864,522	67,830,633	21,759,158	(22,392,663)	326,860,985
Interest expense	$ 72,806	276,088	464,881	52,012	1,758,469	(476,586)	2,147,670
Depreciation and amortization	1,976,413	5,580,967	7,124,702	2,119,823	474,202	-	17,276,107
Share of profit (loss) of associates and joint ventures accounted for using equity method	-	-	-	-	-	-	15,515,623
Reportable segment profit or loss	$ 3,957,715	2,362,691	4,398,478	2,945,184	26,281,199	(5,429,169)	34,516,098
Reportable segment assets	$ 39,615,470	61,843,475	137,486,994	37,062,046	392,841,893	(136,198,351)	532,651,527
Reportable segment liabilities	$ 10,652,180	17,685,751	23,769,886	8,076,174	142,910,676	(4,590,722)	198,503,945

Further explanations of the significant reconciling items of reportable segment information exhibited above are described as follows:

The eliminations of the Consolidated Company's intersegment revenue amounted to $22,117,318 and $22,392,663 in 2013 and 2014, respectively.

(Continued)

NAN YA PLASTICS CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Geographic information

The Consolidated Company's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are as follows:

Geographic	For the year ended December 31 2013	2014
Net Revenue from External Customers:		
Taiwan	$ 84,641,657	89,278,422
China and HK	118,293,482	119,762,522
U.S.A.	52,707,439	50,699,072
Others	55,362,711	65,733,130
	$ 311,005,289	325,473,146

Geographic	December 31, 2013	December 31, 2014
Non-current Assets:		
Taiwan	$ 81,423,998	78,380,832
China and HK	73,789,456	73,631,748
U.S.A.	5,210,323	5,969,902
	$ 160,423,777	157,982,482

Non-current assets include property, plant and equipment, investment property, intangible assets and other assets, but do not include financial instruments, deferred tax assets, post-employment benefit assets, and non-current assets arising from insurance contracts.

(3) Information about major customers

There is no single customer's sale which exceeds 10% of the Consolidated Company's revenues.

pwc 資誠

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Formosa Chemical & Fibre Corporation and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of Formosa Chemical & Fibre Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT$28,980,399 thousand, NT$27,091,220 thousand and NT$29,780,321 thousand, all constituting 6% of the consolidated total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and total operating revenues of NT$26,900,072 thousand and NT$25,455,062 thousand, constituting 6% and 7% of the consolidated total operating revenues for the years ended December 31, 2013 and 2012, respectively. We also did not audit 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$1,110,631 thousand, representing 28% and 46% of the total comprehensive income for the years ended December 31, 2013 and 2012, respectively, and the balance of related investment accounted for using equity method amounted to NT$102,663,455 thousand, NT$67,132,738 thousand and NT$66,837,303 thousand, representing 20%, 14% and 14% of the consolidated total assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based on the audit reports of the other independent accountants.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
11012 臺北市信義區基隆路一段333號27樓 / 27F, 333, Keelung Road, Sec. 1, Xinyi Dist., Taipei City 11012, Taiwan
T: +886 (2) 2729 6666, F: + 886 (2) 2757 6371, www.pwc.com/tw

pwc 資誠

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 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 independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Formosa Chemical & Fibre Corporation as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012 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 Chemical & Fibre Corporation as of and for the years ended December 31, 2013 and 2012, and have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

PricewaterhouseCoopers, Taiwan
March 21, 2014

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 CHEMICAL & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 11,459,481	2	$ 11,562,869	2	$ 10,144,697	2
1110	Financial assets at fair value through profit or loss - current	6(2)	1,352	-	17,239	-	13,955	-
1125	Available-for-sale financial assets - current	6(3)	71,852,908	14	63,406,377	13	66,302,371	14
1150	Notes receivable, net	6(4)	12,050,211	2	12,269,906	3	13,592,515	3
1160	Notes receivable - related parties	7	6,963	-	14,624	-	18,215	-
1170	Accounts receivable, net	6(5)	21,756,367	4	21,151,214	4	18,217,887	4
1180	Accounts receivable - related parties	7	9,511,848	2	9,273,750	2	7,123,963	1
1200	Other receivables	7	7,913,999	2	4,412,519	1	3,297,536	1
1210	Other receivables - related parties	7	13,300,700	3	19,160,000	4	15,920,000	3
130X	Inventory	6(6) and 8	53,825,396	10	52,108,364	11	50,685,277	10
1470	Other current assets	7	12,240,725	2	10,804,948	2	8,487,486	2
11XX	**Total current assets**		213,919,950	41	204,181,810	42	193,803,902	40
	Non-current assets							
1523	Available-for-sale financial assets - non-current	6(3) and 8	45,316,216	9	41,291,801	8	40,329,885	8
1543	Financial assets carried at cost - non-current	6(7)	2,878,666	-	2,997,156	1	2,997,744	1
1550	Investments accounted for under equity method	6(8) and 8	104,510,758	20	79,653,059	16	76,748,200	16
1600	Property, plant and equipment	6(9) and 8	145,053,156	27	144,731,741	30	156,313,371	32
1780	Intangible assets		7,487	-	5,714	-	144	-
1840	Deferred income tax assets	6(25)	3,155,945	1	3,884,291	1	3,922,362	1
1900	Other non-current assets	6(8) and 8	10,847,941	2	12,174,993	2	7,754,885	2
15XX	**Total non-current assets**		311,770,169	59	284,738,755	58	288,066,591	60
1XXX	**Total assets**		$ 525,690,119	100	$ 488,920,565	100	$ 481,870,493	100

(Continued)

FORMOSA CHEMICAL & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(10)	$ 27,996,683	5	$ 23,917,173	5	$ 27,099,384	6
2110	Short-term notes and bills payable	6(10)	1,349,848	-	12,898,852	3	980,799	-
2120	Financial liabilities at fair value through profit or loss - current	6(11)	704	-	66,742	-	3,261	-
2150	Notes payable		172,083	-	157,144	-	196,472	-
2170	Accounts payable		7,161,965	1	5,360,596	1	5,675,901	1
2180	Accounts payable - related parties	7	24,476,468	5	22,874,372	5	14,788,803	3
2200	Other payables		5,932,666	1	5,754,627	1	5,856,981	1
2220	Other payables - related parties	7	3,214,692	1	6,127,595	1	6,914,352	1
2230	Current income tax liabilities	6(25)	2,190,113	1	352,034	-	2,547,975	1
2320	Long-term liabilities, current portion	6(12)(13)	21,944,368	4	25,809,678	5	13,364,823	3
2399	Other current liabilities		3,437,381	1	2,624,694	1	3,257,089	1
21XX	**Total current liabilities**		97,876,971	19	105,943,507	22	80,685,840	17
	Non-current liabilities							
2500	Financial liabilities at fair value through profit or loss - non-current	6(11)	-	-	-	-	150,838	-
2530	Corporate bonds payable	6(12)	50,000,000	10	42,800,000	9	30,600,000	7
2540	Long-term borrowings	6(13)	54,078,987	10	56,045,319	11	64,188,879	13
2570	Deferred income tax liabilities	6(25)	251,529	-	2,529	-	108,454	-
2600	Other non-current liabilities	6(14)	10,774,831	2	10,962,354	2	11,106,404	2
25XX	**Total non-current liabilities**		115,105,347	22	109,810,202	22	106,154,575	22
2XXX	**Total liabilities**		212,982,318	41	215,753,709	44	186,840,415	39
	Equity attributable to owners of parent							
	Share capital	6(15)						
3110	Common stock		58,611,863	11	56,904,721	12	56,904,721	12
	Capital surplus	6(16)						
3200	Capital surplus		8,632,578	2	8,523,861	2	8,500,744	2
	Retained earnings	6(17)						
3310	Legal reserve		40,366,323	8	39,656,897	8	36,359,812	7
3320	Special reserve		39,506,782	7	39,506,782	8	33,721,775	7
3350	Unappropriated retained earnings		43,370,427	8	24,622,156	5	49,150,974	10
	Other equity interest	6(18)						
3400	Other equity interest		77,161,270	15	59,096,173	12	62,793,473	13
3500	Treasury stocks		(236,522)	-	(339,297)	-	(324,121)	-
31XX	**Equity attributable to owners of the parent**		267,412,721	51	227,971,293	47	247,107,378	51
36XX	**Non-controlling interest**		45,295,080	8	45,195,563	9	47,922,700	10
3XXX	**Total equity**		312,707,801	59	273,166,856	56	295,030,078	61
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the balance sheet date	11						
	Total liabilities and equity		$ 525,690,119	100	$ 488,920,565	100	$ 481,870,493	100

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2014.

FORMOSA CHEMICAL & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	2013 AMOUNT	2013 %	2012 AMOUNT	2012 %
4000	**Operating revenue**	6(19) and 7	$ 427,999,934	100	$ 391,599,981	100
5000	**Operating costs**	6(6)(23) and 7	(395,440,460)	(93)	(376,428,517)	(96)
5900	**Net operating margin**		32,559,474	7	15,171,464	4
	Operating expenses	6(23)(24) and 7				
6100	Selling expenses		(7,858,437)	(2)	(7,318,721)	(2)
6200	General and administrative expenses		(5,722,801)	(1)	(4,681,658)	(1)
6000	**Total operating expenses**		(13,581,238)	(3)	(12,000,379)	(3)
6900	**Operating profit**		18,978,236	4	3,171,085	1
	Non-operating income and expenses					
7010	Other income	6(20) and 7	2,834,028	1	6,090,590	1
7020	Other gains and losses	6(9)(21)	1,998,590	1	(18,734)	-
7050	Finance costs	6(9)(22) and 7	(2,620,766)	(1)	(2,849,008)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method		9,116,739	2	2,899,510	1
7000	**Total non-operating income and expenses**		11,328,591	3	6,122,358	1
7900	**Profit before income tax**		30,306,827	7	9,293,443	2
7950	Income tax expense	6(25)	(3,628,303)	(1)	(790,058)	-
8200	**Profit for the year**		$ 26,678,524	6	$ 8,503,385	2

(Continued)

FORMOSA CHEMICAL & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	2013 AMOUNT	2013 %	2012 AMOUNT	2012 %
	Other comprehensive income (net)	6(18)(25)				
8310	Financial statements translation differences of foreign operations		$ 2,582,805	-	($ 2,182,261)	-
8325	Unrealized gain (loss) on valuation of available-for-sale financial assets		12,786,383	3	(4,167,218)	(1)
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method		2,552,268	1	13,067	-
8399	Income tax relating to the components of other comprehensive income		(310,497)	-	264,246	-
8500	**Total comprehensive income for the year**		$ 44,289,483	10	$ 2,431,219	1
	Net income attributable to:					
8610	Owners of the parent		$ 24,863,645	6	$ 7,315,163	2
8620	Non-controlling interest		1,814,879	-	1,188,222	-
			$ 26,678,524	6	$ 8,503,385	2
	Total comprehensive income attributable to:					
8710	Owners of the parent		$ 42,928,742	10	$ 3,617,863	1
8720	Non-controlling interest		1,360,741	-	(1,186,644)	-
			$ 44,289,483	10	$ 2,431,219	1

			2013 Before Tax	2013 After Tax	2012 Before Tax	2012 After Tax
	Basic earnings per share	6(26)				
9710	Income from continuing operations		$ 5.19	$ 4.56	$ 1.59	$ 1.45
9720	Net income of non-controlling interests		(0.54)	(0.31)	(0.32)	(0.20)
9750	**Net income attributable to ordinary equity holders of the parent**		$ 4.65	$ 4.25	$ 1.27	$ 1.25

Pro forma information assuming the investment of the subsidiary, Formosa Taffeta Co., Ltd., and indirectly owned subsidiary are not treated as treasury stock:

	Before Tax	After Tax	Before Tax	After Tax
Income from continuing operations	$ 5.17	$ 4.55	$ 1.58	$ 1.45
Net income of non-controlling interests	(0.54)	(0.31)	(0.32)	(0.20)
Net income attributable to ordinary equity holders of the parent	$ 4.63	$ 4.24	$ 1.26	$ 1.25

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2014.

FORMOSA CHEMICAL & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
				Retained earnings			Other equity interest						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow hedges	Treasury stocks	Total	Non-controlling interest	Total equity
2012													
Balance as of January 1, 2012		$ 56,904,721	$ 8,500,744	$ 36,359,812	$ 33,721,775	$ 49,150,974	$ -	$ 62,842,815	($49,342)	($324,121)	$ 247,107,378	$ 47,922,700	$ 295,030,078
Appropriations of 2012 earnings	6(17)												
Legal reserve		-	-	3,297,085	-	(3,297,085)	-	-	-	-	-	-	-
Special reserve		-	-	-	5,785,007	(5,785,007)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(22,761,889)	-	-	-	-	(22,761,889)	-	(22,761,889)
Cash dividends paid by consolidated subsidiaries	6(16)	-	-	-	-	-	-	-	-	-	-	(1,540,493)	(1,540,493)
Stocks of the parent company purchased by the subsidiary and recognised as treasury stock	6(15)	-	-	-	-	-	-	-	-	(15,176)	(15,176)	-	(15,176)
Dividends paid to subsidiaries to adjust capital surplus	6(16)	-	23,117	-	-	-	-	-	-	-	23,117	-	23,117
Profit for the year		-	-	-	-	7,315,163	-	-	-	-	7,315,163	1,188,222	8,503,385
Other comprehensive loss for the year	6(18)	-	-	-	-	-	(1,475,476)	(2,258,375)	36,551	-	(3,697,300)	(2,374,866)	(6,072,166)
Balance at December 31, 2012		$ 56,904,721	$ 8,523,861	$ 39,656,897	$ 39,506,782	$ 24,622,156	($ 1,475,476)	$ 60,584,440	($12,791)	($339,297)	$ 227,971,293	$ 45,195,563	$ 273,166,856
2013													
Balance as of January 1, 2013		$ 56,904,721	$ 8,523,861	$ 39,656,897	$ 39,506,782	$ 24,622,156	($ 1,475,476)	$ 60,584,440	($12,791)	($339,297)	$ 227,971,293	$ 45,195,563	$ 273,166,856
Appropriations of 2013 earnings	6(17)												
Legal reserve		-	-	709,426	-	(709,426)	-	-	-	-	-	-	-
Stock dividends		1,707,142	-	-	-	(1,707,142)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,698,806)	-	-	-	-	(3,698,806)	-	(3,698,806)
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(1,207,815)	(1,207,815)
Disposal of consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(115,965)	(115,965)
Adjustments to paid-in capital due to issuance of stock dividends to subsidiaries	6(16)	-	3,757	-	-	-	-	-	-	-	3,757	-	3,757
Stocks of the parent company bought by the subsidiary and recognised as treasury stock	6(16)	-	21,154	-	-	-	-	-	-	102,775	123,929	-	123,929
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	6(16)	-	3,771	-	-	-	-	-	-	-	3,771	6,312	10,083

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2014.

FORMOSA CHEMICAL & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
				Retained earnings			Other equity interest						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Hedging instrument gain (loss) on effective hedge of cash flow hedges	Treasury stocks	Total	Non-controlling interest	Total equity
Changes in the net interest of associates recognised under the equity method	6(16)	-	80,035	-	-	-	-	-	-	-	80,035	-	80,035
Adjustment in non-controlling interest		-	-	-	-	-	-	-	-	-	-	56,244	56,244
Profit for the year		-	-	-	-	24,863,645	-	-	-	-	24,863,645	1,814,879	26,678,524
Other comprehensive income for the year	6(18)	-	-	-	-	-	2,159,535	15,890,979	14,583	-	18,065,097	(454,138)	17,610,959
Balance at December 31, 2013		$ 58,611,863	$ 8,632,578	$ 40,366,323	$ 39,506,782	$ 43,370,427	$ 684,059	$ 76,475,419	$ 1,792	($236,522)	$ 267,412,721	$ 45,295,080	$ 312,707,801

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2014.

FORMOSA CHEMICAL & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)

	Notes	2013/12/31	2012/12/31
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		$ 30,306,827	$ 9,293,443
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	18,554,656
Amortization	6(23)	4,224,724	3,136,738
Bad debts expense (Reversal of allowance)	6(5)	8,504	(3,024)
Net gain on financial assets and liabilities at fair value through profit or loss	6(2)(11)(21)	(50,151)	(90,642)
Interest expense	6(22)	2,620,766	2,849,008
Interest income	6(20)	(474,907)	(447,055)
Dividend income	6(20)	(1,086,634)	(3,905,818)
Share of profit or loss of associates accounted for under the equity method		(9,116,739)	(2,899,510)
Impairment loss on property, plant and equipment	6(9)(21)	763,757	-
Gain on disposal and scrap of property, plant and equipment	6(21)	(213,208)	(50,673)
Gain on disposal of investments	6(21)	(174,705)	(318)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		219,695	1,322,609
Notes receivable-related parties		7,661	3,591
Accounts receivable		(649,602)	(2,933,327)
Accounts receivable-related parties		(238,098)	(2,149,787)
Other receivables		(3,567,595)	(1,070,855)
Inventories		(2,333,811)	(1,423,087)
Other current assets		(1,438,209)	(2,317,463)
Other non-current assets		(603,792)	6,631
Net changes in liabilities relating to operating activities			
Notes payable		14,939	(39,328)
Accounts payable		1,807,562	(315,305)
Accounts payable-related parties		1,602,096	8,085,569
Other payables		254,927	(7,447)
Other current liabilities		(868,582)	(211,524)
Accrued pension liabilities		(40,093)	130,887
Cash generated from operations		39,086,319	25,517,969
Interest received		491,306	406,269
Interest paid		(2,673,462)	(3,009,850)
Dividend received		3,086,266	8,921,770
Income tax paid		(946,225)	(2,700,837)
Net cash provided by operating activities		39,044,204	29,135,321

(Continued)

FORMOSA CHEMICAL & FIBRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)

	Notes	2013/12/31	2012/12/31
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other receivables-related parties		$ 5,859,300	($ 3,240,000)
Acquisition of available-for-sale financial assets	6(3)	-	(2,250,000)
Proceeds from disposal of available-for-sale financial assets		655,552	-
Proceeds from disposal of financial assets measured at cost		37,701	-
Acquisition of investments accounted for under the equity method	6(8)	(14,928,029)	(5,113,520)
Effects from change in net cash from disposal of subsidiaries		122,745	-
Acquisition of property, plant and equipment	6(9)(27)	(13,162,293)	(8,784,145)
Proceeds from disposal of property, plant and equipment	6(9)	315,223	319,038
Acquisition of intangible assets		(24,287)	(78,636)
Increase in prepayment for investment	6(8)	(800,000)	-
Increase in deferred expenses		(5,860,947)	(7,453,956)
Net cash used in investing activities		(27,785,035)	(26,601,219)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Decrease) in short-term borrowings		4,079,510	(3,182,211)
(Decrease) increase in short-term notes and bills payable		(11,549,004)	11,918,053
Decrease in other payables-related parties		(2,862,903)	(786,757)
Increase in corporate bonds payable		15,000,000	20,000,000
Increase in long-term borrowings		39,036,967	38,577,276
Payment of long-term borrowings		(44,540,502)	(37,087,905)
Payment of bond payables		(7,800,000)	(5,000,000)
Decrease in other non-current liabilities		(78,905)	(67,105)
Decrease in guarantee deposits		58,475	47,644
Payment of cash dividends	6(27)	(3,585,562)	(22,766,119)
Decrease in non-controlling interest		(1,207,815)	(1,540,493)
Net cash (used in) provided by financing activities		(13,449,739)	112,383
Effect of foreign exchange translations		2,087,182	(1,228,313)
(Decrease) increase in cash and cash equivalents		(103,388)	1,418,172
Cash and cash equivalents at beginning of year		11,562,869	10,144,697
Cash and cash equivalents at end of year		$ 11,459,481	$ 11,562,869

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2014.

FORMOSA CHEMICAL&FIBRE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(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 21, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

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

IFRS 9, 'Financial Instruments: Classification and measurement of financial assets'

A.The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.

B.IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

C.The Group has not yet evaluated the overall effect of the IFRS 9 adoption. However, based on our preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognised in other comprehensive income should not be reclassified to profit or loss when such assets are derecognised.

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

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January, 1 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	November 19, 2013 (Not mandatory)

New Standards Interpretations and Amendments	Main Amendments	IASB Effective Date
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters are allowed to apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognize related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2012
IFRS 11, 'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013

New Standards Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 12, 'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognised in other comprehensive income.	January 1, 2013

New Standards Interpretations and Amendments	Main Amendments	IASB Effective Date
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognised as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, 'Inventories'.	January 1, 2013
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, ' Financial instruments', and IAS 20, 'Accounting for government grants and disclosure of government assistance', prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013

New Standards Interpretations and Amendments	Main Amendments	IASB Effective Date
Improvements to IFRSs 2009- 2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	January 1, 2014
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014

New Standards Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 9, "Financial assets: hedge accounting" and amendments to IFRS 9, IFRS 7 and IAS 39	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in 'other comprehensive income'.	November 19, 2013 (Not mandatory)
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

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

A. These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the "Rules Governing the Preparation of Financial Statements 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").

B.In the preparation of the balance sheet as of January 1, 2012 (the Group's date of transition to IFRSs) ("the opening IFRSs balance sheet"), the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to IFRSs) on the Group's financial position, financial performance and cash flows.

(2) Basis of preparation

A.Except for the following items, these 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 recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.

B.The preparation of financial statements in compliance with 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 unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c)Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d)Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e)When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B.Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2013	Ownership (%) December 31, 2012	Description
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 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 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 Investment Corp. (Hong Kong)	Formosa PS 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 (%) December 31, 2013	Ownership (%) December 31, 2012	Description
Formosa Chemicals & Fibre Investment Corp. (Hong Kong)	Formosa Chemicals Industries 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 Silicon Technology Corp.	Basic chemical industry, fine chemical material manufacturing, other chemical material manufacturing and sale of polysilicon	-	100.00	The Company holds more than 50% of voting rights. Formosa Silicon Technology Corp. has completed liquidation in December 2013.
The Company	Formosa Biomedical Technology Corp.	Manufacturing and sale of cleaner and cosmetics	91.62	91.62	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 a 91.62% of voting rights owned company - Formosa Biomedical Technology Corp.
Formosa Biomedical Technology Corp.	Formosa Energy & Material Technology Corp. (formerly: Formosa Energy & Material Technology Corp.)	Manufacturing and wholesale of Lithium battery cathode materials	15.14	51.14	The Company held more than 50% of voting rights through a 91.62% of voting rights owned company - Formosa Biomedical Technology Corp. Formosa Biomedical Technology Corp. has sold 36% of shares in Formosa Energy & Material Technology Corp. in May 2013, so the Group lost control and did not include the company in the 2013 consolidated financial statements.

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2013	Ownership (%) December 31, 2012	Description
Formosa Biomedical Technology Corp.	Formosa Biomedical Trading (Shanghai) Co., Ltd	Importing, exporting and wholesale of health food	100.00	-	The Company holds more than 50% of voting rights through a 91.62% of voting rights owned company - Formosa Biomedical Technology Corp.
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 accounts for Formosa Idemitsu Petrochemical Corp. as a subsidiary.
The Company	Formosa BP Chemicals Corp.	Chemistry, international trade of petrochemistry	50.00	50.00	The Company has substantial control and thus accounts for 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 accounts for 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 accounts for Formosa BP Chemicals Corp. as a subsidiary.
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Vietnam) Co., Ltd.	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.

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2013	Ownership (%) December 31, 2012	Description
Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Asseembly, 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.
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Asseembly, 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	99.90	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 accounts for Schoeller F.T.C. (Hong Kong) Co., Ltd. as a subsidiary.

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2013	Ownership (%) December 31, 2012	Description
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	100	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	100	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	100	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 99.86% of voting rights owned company - Formosa Taffeta (Hong Kong) Co., Ltd.

Name of investor	Name of subsidiary	Main business activities	Ownership (%) January 1, 2012	Description
The Company	Formosa Carpet Corp.	Spinning, dyeing printing and finishing, and manufacturing synthetic fibre and rug and carpet	100.00	The Company holds more than 50% of voting rights.
The Company	FCFC Investment Corp. (Cayman)	Investing	100.00	The Company holds more than 50% of voting rights.
FCFC Investment Corp. (Cayman)	Formosa ABS Plastics Co., Ltd.	Sale of Acrylonitrile Butadiene Styrene (ABS)	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	The Company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman).
FCFC Investment Corp. (Cayman)	Formosa Phenol Limited Co.	Manufacturing Acetone and Synthetic Phenolic	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	The Company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Cayman).
Formosa Chemicals & Fibre *Investment Corp*. (Hong Kong)	Formosa PS Co., Ltd.	Sale of Polystyrene	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 (%) January 1, 2012	Description
Formosa Chemicals & Fibre Investment Corp. (Hong Kong)	Formosa Chemicals Industries Co., Ltd.	Production and marketing of PTA	100.00	The Company holds more than 50% of voting rights through wholly-owned company - FCFC Investment Corp. (Hong Kong)
The Company	Formosa Silicon Technology Corp.	Basic chemical industry, fine chemical material manufacturing, other chemical material manufacturing and sale of polysilicon	100.00	The Company holds more than 50% of voting rights.
The Company	Formosa Biomedical Technology Corp.	Manufacturing and sale of cleaner and cosmetics	91.62	The Company holds more than 50% of voting rights.
Formosa Biomedical Technology Corp.	Hong Jing Resources Corp.	Removal and disposal of waste	51.00	The Company holds more than 50% of voting rights through a 91.62% of voting rights owned company - Formosa Biomedical Technology Corp.
Formosa Biomedical Technology Corp.	Formosa Energy & Material Technology Corp. (formerly: Formosa Energy & Material Technology Corp.)	Manufacturing and wholesale of Lithium battery cathode materials	51.14	The Company holds more than 50% of voting rights through a 91.62% of voting rights owned company - Formosa Biomedical Technology Corp.
The Company	Tah Shin Spinning Corp.	Spinning	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	The Company has substantial control and thus accounts for Formosa Idemitsu Petrochemical Corp. as a subsidiary.

Name of investor	Name of subsidiary	Main business activities	Ownership (%) January 1, 2012	Description
The Company	Formosa BP Chemicals Corp.	Chemistry, international trade of petrochemistry	50.00	The Company has substantial control and thus accounts for Formosa BP Chemicals Corp. as a subsidiary.
The Company	Formosa Industries Corp., Vietnam	Production and marketing of textile, polyester staple fibre, cotton, hydropower	42.50	The Company has substantial control and thus accounts for Formosa Industries Corp., Vietnam 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	The Company has substantial control and thus accounts for Formosa Taffeta Co., Ltd. as a subsidiary.
Formosa Taffeta Co., Ltd.	Formosa Industries Corp., Vietnam	Production and marketing of textile, polyester staple fibre, cotton, hydropower	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	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	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.

Name of investor	Name of subsidiary	Main business activities	Ownership (%) January 1, 2012	Description
Formosa Taffeta Co., Ltd.	Formosa Industries Corp., Vietnam	Manufacturing, processing and supply of spinning, weaving, dyeing and finishing, carpet, curtain and cleaners	100.00	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits	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	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	43.00	Formosa Taffeta Co., Ltd. has substantial control and thus accounts for 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 colour graphs	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	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights.

Name of investor	Name of subsidiary	Main business activities	Ownership (%) January 1, 2012	Description
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	Formosa Taffeta Co., Ltd. holds more than 50% of voting rights through a 99.86% of voting rights owned company - Taffeta (Hong Kong) Co., Ltd.

(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 recognised 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 recognised 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 recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(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:

A.Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

B.Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

C.All resulting exchange differences are recognised in other comprehensive income.

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

(5) Classification of current and non-current items

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

(a)Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b)Assets held mainly for trading purposes;

(c)Assets that are expected to be realised within twelve months from the balance sheet date;

(d)Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to 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 recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised 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 recognised 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 recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised 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 recognised 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 recognised at fair value and subsequently measured at amortised 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 reorganisation;

(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 amortised 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 recognised 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 recognised, the previously recognised 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 recognised previously. Impairment loss is recognised 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 recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised 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 recognised 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 recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) <u>Derecognition of financial assets</u>

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

A.The contractual rights to receive the cash flows from the financial asset expire.

B.The contractual rights to receive cash flows of the financial asset have been transferred and The Group has transferred substantially all risks and rewards of ownership of the financial asset.

C.The contractual rights to receive cash flows of the financial asset have been transferred; however, The Group has not retained control of the financial asset.

(12) <u>Inventories</u>

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

(13) <u>Investments accounted for using equity method /subsidiaries and associates</u>

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 recognised at cost.

B.The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C.When changes in an associate's equity are not recognised 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 recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D.Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E.In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F.Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G.When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H.When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Property, plant and equipment

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

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

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

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

Land improvements	10 years
Buildings	15 ～ 50 years
Machinery and equipment	5 ～ 15 years
Transportation equipment	5 ～ 8 years
Other equipment	3 ～ 15 years

(15) Intangible assets

Computer software is stated at cost and amortised 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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

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

(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 recognised initially at fair value and subsequently measured at amortised 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 derecognised 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Derivative financial instruments

Derivatives are initially recognised 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 recognised 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 recognised as expenses in that period when the employees render service.

B.Pensions

(a)Defined contribution plans

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

(b)Defined benefit plans

i.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 recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised 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 recognised in profit or loss using the ‘corridor’ method.

iii.Past service costs are recognised 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 recognised 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 recognised 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 recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B.The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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 recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

(25) Treasury shares

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

(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 ordinary shares 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 recognised 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 recognised.

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

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

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

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

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 recognised 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 recognised. 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 SIGNIFICANTACCOUNTS

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand and petty cash	$ 59,946	$ 193,293	$ 135,099
Checking accounts and demand deposits	4,332,881	6,968,519	3,573,734
Time depostits	6,195,181	3,397,883	5,253,376
Bonds repurchased and commercial paper	871,473	1,003,174	1,182,488
	$ 11,459,481	$ 11,562,869	$ 10,144,697

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

Items	December 31, 2013	December 31, 2012	January 1, 2012
Current items:			
Non-hedging derivatives	$ 1,352	$ 17,239	$ 13,955

A.The Group recognised (loss) gain on valuation of financial assets at fair value through profit or loss amounting to ($13,714) and $4,286 for the years ended December 31, 2013 and 2012, respectively.

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

Derivative Instruments	December 31, 2013 Amount (Notional Principal) (in thousands)	December 31, 2013 Contract Period	December 31, 2012 Amount (Notional Principal) (in thousands)	December 31, 2012 Contract Period
Current items:				
Forward exchange contracts				
Taipei Fubon	JPY 398,260	2013.10~2014.01	JPY 733,420	2012.08~2013.03
CHB	JPY 3,000	2013.12~2014.02	JPY 18,000	2012.11~2013.02
Long-term foreign exchange contract				
ANZ	USD 100,000	2012.06~2014.06	-	-
Non-current items:				
Long-term foreign exchange contract				
ANZ	USD 100,000	2012.12~2015.12	USD 200,000	2012.06~2015.12

Derivative Instruments	January 1, 2012 Contract Amount (Notional Principal) (in thousands)	January 1, 2012 Contract Period
Current items:		
Forward exchange contracts		
Taipei Fubon Bank	USD 107,189	2004.11~2012.03
CHB	USD 4,000	2011.12~2012.02
HSBC	USD 2,000	2005.03~2012.03
ABN AMRO	USD 2,000	2005.03~2012.03

(a)Long-term foreign exchange contract

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

(b)Forward exchange contracts

The Group entered into forward exchange contracts to buy USD to hedge exchange rate risk of Sixth naphtha cracker project from syndicated long-term borrowings. However, these forward exchange contracts are not accounted for under hedge accounting.

(3) Available-for-sale financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Current items:			
Listed (TSE and OTC) stocks	$ 17,299,263	$ 17,646,145	$ 17,599,528
Unlisted stocks	825,839	825,839	825,839
Valuation adjustments of available-for-sale financial assets	56,063,625	47,270,212	50,212,823
	74,188,727	65,742,196	68,638,190
Less: Accumulated impairment	(2,335,819)	(2,335,819)	(2,335,819)
	$ 71,852,908	$ 63,406,377	$ 66,302,371
Non-current items:			
Listed (TSE and OTC) stocks	$ 17,283,797	$ 17,283,797	$ 15,033,797
Valuation adjustments of available-for-sale financial assets	30,645,504	26,621,089	27,909,173
	47,929,301	43,904,886	42,942,970
Less: Accumulated impairment	(2,613,085)	(2,613,085)	(2,613,085)
	$ 45,316,216	$ 41,291,801	$ 40,329,885

A.On December 14, 2012, the Group acquired 1,323,529,411 shares of Nan Ya Technology Corporation from its capital increase through private placement, at a price of $1.70 per share, totaling $2,250,000. In accordance with the Securities and Exchange Act Article 43-8, the private placement securities may not be transferred within three years from the issuance date. Thus, the Group recognised such investment under available-for-sale financial assets – non-current.

B.The Group recognised $939,793 and $3,524,835 as dividend income from available-for-sale financial assets for the years ended December 31, 2013 and 2012, respectively.

C.The Group recognised $12,786,383 and ($4,167,218) in other comprehensive income for fair value change for the years ended December 31, 2013 and 2012, respectively.

D.As of December 31, 2013 and 2012, available-for-sale financial assets pledged to banks are described in Note 8.

(4) Notes receivable, net

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 12,052,177	$ 12,271,872	$ 13,594,481
Less: Allowance for doubtful accounts	(1,966)	(1,966)	(1,966)
	$ 12,050,211	$ 12,269,906	$ 13,592,515

(5) Accounts receivable, net

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	$ 22,051,954	$ 21,436,857	$ 18,501,747
Less: Allowance for doubtful accounts	(295,587)	(285,643)	(283,860)
	$ 21,756,367	$ 21,151,214	$ 18,217,887

A.The Group's accounts receivable that were neither past due nor impaired had good credit quality.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Up to 30 days	$ 371,747	$ 839,076	$ 600,981
31 to 90 days	245,549	144,361	149,531
91 to 180 days	13,721	44,763	22,919
Over 180 days	15,610	3,784	3,094
	$ 646,627	$ 1,031,984	$ 776,525

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

	For the 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	$ 145,395	$ 150,192	$ 295,587

	For the year ended December 31, 2012		
	Individual provision	Group provision	Total
At January 1	$ 143,561	$ 140,299	$ 283,860
Reversal of impairment	-	(3,024)	(3,024)
Effect of exchange rate	-	4,807	4,807
At December 31	$ 143,561	$ 142,082	$ 285,643

D.The maximum exposure to credit risk at December 31, 2013, December 31, 2012 and January 1, 2012 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
	$ 54,466,516	($ 641,120)	$ 53,825,396

	December 31, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 21,461,332	($ 45,608)	$ 21,415,724
Materials	5,225,883	(22,328)	5,203,555
Work in process	8,429,203	(18,186)	8,411,017
Finished goods	17,118,053	(557,873)	16,560,180
Other inventory	517,888	-	517,888
	$ 52,752,359	($ 643,995)	$ 52,108,364

	January 1, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 19,771,995	($ 114,507)	$ 19,657,488
Materials	4,496,308	-	4,496,308
Work in process	8,186,292	(1,619)	8,184,673
Finished goods	19,091,266	(965,153)	18,126,113
Other inventory	220,695	-	220,695
	$ 51,766,556	($ 1,081,279)	$ 50,685,277

Expense and loss incurred on inventories for the years ended December 31, 2013 and 2012 were as follows:

	For the years ended December 31,	
	2013	2012
Cost of inventories sold	$ 393,693,262	$ 374,792,440
Gain from price recovery of inventory (Note)	(12,745)	(414,687)
Idle capacity	1,855,931	2,161,821
Others	(95,988)	(111,057)
	$ 395,440,460	$ 376,428,517

Note: The gain from price recovery was caused by the Group's recognition of impairment loss on inventories which were subsequently scrapped or sold.

(7) Financial assets measured at cost

Items	December 31, 2013	December 31, 2012	January 1, 2012
Non-current items:			
Mai Liao Harbor Administration Corp.	$ 539,260	$ 539,260	$ 539,260
Formosa Plastic Corp. U.S.A	818,316	818,316	818,316
Taiwan Stock Exchange Corp.	1,800	1,800	1,800
Taiwan Aerospace Corp.	10,701	10,701	10,701
Yi-Jih Development Corp.	3,000	3,000	3,000
Chinese Television System Corp.	38,419	38,419	38,419
Formosa Automobile Corp.	1,750	1,750	1,750
Formosa Development Corp.	90,010	90,010	90,010
Formosa Technologies Corp.	17,884	18,340	18,923
Formosa Plastics Marine Corp.	15,000	15,000	15,000
Formosa Ocean Group Marine Investment Corp.	856,948	856,948	856,948
Guangyuan Investment Corp.	50,000	50,000	50,000
Changs Ascending Enterprise Co., Ltd.	-	171,043	171,043
Taiwan Leader Biotech Corp.	21,033	21,033	21,033
Toa Resin Co., Ltd.	3,000	3,000	3,000
Shin Yun Natural Gas Corp.	3,100	3,100	3,100
Wk Technology Fund IV Ltd	47,897	47,897	47,897
Syntronix Corporation	4,417	4,417	4,417
United Performance Materials Corp.	8,400	8,400	8,400
Association of R.O.C. in Xiamen	148	139	144
Nan Ya Photonics Inc.	294,583	294,583	294,583
Formosa Lithium Iron Oxide Corp.	53,000	-	-
	2,878,666	2,997,156	2,997,744
Less: Accumulated impairment	-	-	-
	$ 2,878,666	$ 2,997,156	$ 2,997,744

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 investees’ financial information can be obtained, the fair value of the investment in stocks cannot be measured reliably. The Group classified those stocks as ‘financial assets measured at cost’.

B. The Group recognised $146,841 and $380,983 as dividend income from investing in financial assets measured at cost for the years ended December 31, 2013 and 2012, respectively.

C. Changs Ascending Enterprise Co., Ltd. had 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 its fair value can be reliably measured, the Group transferred the investment to available-for-sale financial assets – current based on its holding intention.

D. As of December 31, 2013, December 31, 2012 and January 1, 2012, no financial assets measured at cost held by the Group were pledged to others.

(8) Investments accounted for using equity method

	December 31, 2013	December 31, 2012	January 1, 2012
Formosa Heavy Industries Corp.	$ 7,238,692	$ 6,283,621	$ 5,696,665
Formosa Fairway Corp.	85,529	83,512	93,222
Formosa Plastics Transport Corp.	655,583	620,393	588,871
Formosa Petrochemical Corp.	59,592,253	51,182,103	55,258,397
Mai Liao Power Corp.	10,882,973	10,624,639	9,380,707
Hwa Ya Science Park Management Consulting Co., Ltd.	1,802	684	(1,475)
Chia-Nan Enterprise Corp.	260,409	259,020	241,520
Su Hua Transport Corp.	159,867	124,474	110,921
Formosa Environmental Technology Corp.	273,956	280,838	288,670
Formosa Ha Tinh Steel Corp.	20,366,082	8,318,886	4,301,138
Formosa Synthetic Rubber Corp.	376,157	392,941	395,040
Formosa Synthetic Rubber Corp. (Hong Kong)	934,979	962,199	
Formosa Resourse Corp.	3,025,362	-	-
Formosa Group (CAYMAN) Corp.	361	-	-
Beyoung International Corp.	95,804	95,503	92,617
Kuang Yueh Co., Ltd.	560,949	424,246	300,432
	104,510,758	79,653,059	76,746,725
Credit balance of investments accounted for using equity method	-	-	1,475
	$ 104,510,758	$ 79,653,059	$ 76,748,200

A. The investments accounted for using equity method were based on the investees' audited financial statements for the years ended December 31, 2013 and 2012.

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

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
December 31, 2013					
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
Others	130,854,025	11,992,504	11,347,549	239,378	-
	$ 714,960,345	$ 289,773,621	$ 986,943,191	$ 35,984,490	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
December 31, 2012					
Formosa Heavy Industries Corp.	$ 35,444,729	$ 15,976,140	$ 15,164,167	$ 1,915,574	32.91
Formosa Petrochemical Corp.	467,408,170	261,118,461	894,377,721	(830,647)	24.90
Mai Liao Power Corp.	57,277,050	14,676,252	30,733,159	5,950,540	24.94
Others	44,928,613	5,494,312	10,134,693	815,925	
	$ 605,058,562	$ 297,265,165	$ 950,409,740	$ 7,851,392	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
January 1, 2012					
Formosa Heavy Industries Corp.	$ 32,933,318	$ 13,398,844	$ 13,389,949	$ 1,407,060	32.91
Formosa Petrochemical Corp.	462,369,615	239,999,695	798,533,677	22,498,715	24.90
Mai Liao Power Corp.	56,986,195	19,373,095	27,114,173	1,109,203	24.94
Others	27,617,621	5,593,622	8,364,977	705,805	
	$ 579,906,749	$ 278,365,256	$ 847,402,776	$ 25,720,783	

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

	December 31, 2013	December 31, 2012	January 1, 2012
Formosa Petrochemical Corp.	$ 194,005,616	$ 203,966,785	$ 222,466,098

D.The Group invested in Formosa Ha Tinh Steel Corp., which is based in Vietnam. The Group remitted US$401,612,000 (equivalent to NT$11,927,652) in 2013. As of December 31, 2013, the amount invested totalled to US$689,955,000 (equivalent to NT$20,520,062). Because Formosa Ha Tinh Steel Corp. has issued new stocks and the Group did not purchase proportionally, the stockholding ratio became 20.75%.

E.The Group invested in Formosa Resourse Corp. in 2013. As of December 31, 2013, the amount invested totaled to $3,000,000 with a holding percentage of 25%.

F.The Group invested in Formosa Group (CAYMAN) Corp. in 2013. As of December 31, 2013, the amount invested totaled to $377 with a holding percentage of 25%.

G.As of December 31, 2013 and 2012, the Group received cash dividends from investments accounted for using equity method of $1,999,632 and $5,015,952, respectively, which the Group recognised as a deduction of investment accounted for using equity method.

H.In order to enhance the technical value of bio-medical industry and integrate related resources, the Group decided to participate in the capital increase of United Biomedical Inc. Asia. As of December 31, 2013, the statutory process of the capital increase was not completed yet, thus, the related prepayment was recognised as 'other non-current assets'.

I.As of December 31, 2013 and 2012, equity investments pledged to banks are described in Note 8.

(9) Property, plant and equipment

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2013						
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)
	$ 8,606,104	$ 24,982,769	$ 94,478,158	$ 3,677,191	$ 12,987,519	$ 144,731,741
2013						
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	$ 8,567,168	$ 24,123,698	$ 90,810,146	$ 2,886,301	$ 18,665,843	$ 145,053,156
At December 31, 2013						
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)
	$ 8,567,168	$ 24,123,698	$ 90,810,146	$ 2,886,301	$ 18,665,843	$ 145,053,156

	Land and land improvements	Buildings	Machinery and equipment	Transportation equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2012						
Cost	$ 8,831,260	$ 41,171,042	$ 249,403,097	$ 15,034,977	$ 10,772,127	$ 325,212,503
Accumulated depreciation and impairment	(224,623)	(15,534,273)	(142,900,898)	(10,239,338)	-	(168,899,132)
	$ 8,606,637	$ 25,636,769	$ 106,502,199	$ 4,795,639	$ 10,772,127	$ 156,313,371
2012						
Opening net book amount	$ 8,606,637	$ 25,636,769	$ 106,502,199	$ 4,795,639	$ 10,772,127	$ 156,313,371
Additions	10,200	6,002	410,319	66,782	8,154,406	8,647,709
Reclassifications	(6,216)	(31,761)	(28,306)	(4,602)	-	(70,885)
Depreciation charge	-	1,260,557	4,924,069	110,535	(6,041,993)	253,168
Net exchange difference	(302)	(1,514,225)	(15,991,733)	(1,048,396)	-	(18,554,656)
Closing net book amount	(4,215)	(374,573)	(1,338,390)	(242,767)	102,979	(1,856,966)
	$ 8,606,104	$ 24,982,769	$ 94,478,158	$ 3,677,191	$ 12,987,519	$ 144,731,741
At December 31, 2012						
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)
	$ 8,606,104	$ 24,982,769	$ 94,478,158	$ 3,677,191	$ 12,987,519	$ 144,731,741

A.The Group recognised impairment loss for the years ended December 31, 2013 and 2012. Details of such loss are as follows:

	For the years ended December 31,			
	2013		2012	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss－buildings	$ 72,359	$ -	$ -	$ -
Impairment loss－machinery	691,398	-	-	-
	$ 763,757	$ -	$ -	$ -

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

	For the years ended December 31,			
	2013		2012	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other 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	2012
Amount capitalised	$ 128,137	$ 106,378
Interest rate	1.24%~2.50%	1.20%~2.30%

D.Under the regulations, certain land may only be owned by individuals. The Group acquired ownership of agricultural land for future plant expansion. Such land is under the name of a third party, and has mortgaged the land to the Company. As of December 31, 2013, December 31, 2012 and January 1, 2012, the pledged amount was $546,685, $554,878 and $561,070, respectively.

E.Impairment information about property, plant and equipment 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	$ 27,996,683		
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	$ 1,349,848		

Type of loans	December 31, 2012	Interest rate range	Collateral
Mortgage loans	$ 1,654,879	1.01%~2.89%	Note 8
Unsecured loans	22,262,294	0.85%~5.88%	None
Total short-term loans	$ 23,917,173		
Short-term notes and bills payable	$ 12,900,000	0.72%~1.01%	None
Short-term notes and bills payable discount	(1,148)		
Net short-term notes and bills payable	$ 12,898,852		

Type of loans	January 1, 2012	Interest rate range	Collateral
Mortgage loans	$ 1,313,932	1.50%~2.50%	Note 8
Unsecured loans	25,785,452	0.40%~7.22%	None
Total short-term loans	$ 27,099,384		
Short-term notes and bills payable	$ 981,000	0.68%~0.81%	None
Short-term notes and bills payable discount	(201)		
Net short-term notes and bills payable	$ 980,799		

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

Items	December 31, 2013	December 31, 2012	January 1, 2012
Current items:			
Non-hedging derivatives	$ 704	$ 66,742	$ 3,261
Non-current items:			
Non-hedging derivatives	$ -	$ -	$ 150,838

A.The Group recognised gain on valuation of financial liabilities at fair value through profit or loss amounting to $63,865 and $86,356 for the years ended December 31, 2013 and 2012, respectively.

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

Derivative Financial Liabilities	December 31, 2013 Contract Amount (Notional Principal) (In thousand dollars)	December 31, 2013 Contract Period	December 31, 2012 Contract Amount (Notional Principal) (In thousand dollars)	December 31, 2012 Contract Period
Current items:				
Forward foreign exchange contracts				
Chang Hwa Bank	USD 3,000	2013.11~2014.01	-	-
Taipei Fubon Bank	-	-	JPY 194,850	2012.10~2013.02
Interest rate swap contracts				
Taipei Fubon Bank	-	-	NTD 4,000,000	2008.09~2013.09
Citibank	-	-	NTD 1,500,000	2008.09~2013.09

Derivative Financial Liabilities	January 1, 2012 Contract Amount (Notional Principal) (In thousand dollars)	January 1, 2012 Contract Period
Current items:		
Forward foreign exchange contracts		
Taipei Fubon Bank	JPY 124,382	2011.08~2012.04
Chang Hwa Bank	JPY 8,000	2011.11~2012.01
China Trust Bank	USD 2,000	2004.05~2012.03
Non-current items:		
Interest rate swap contracts		
Taipei Fubon Bank	NTD 4,000,000	2008.09~2013.09
Citibank	NTD 1,500,000	2008.09~2013.09

(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, 2012	January 1, 2012
Bonds payable			
Domestic unsecured nonconvertible corporate bonds	$ 57,800,000	$ 50,600,000	$ 35,600,000
Less: current portion	(7,800,000)	(7,800,000)	(5,000,000)
	$ 50,000,000	$ 42,800,000	$ 30,600,000

The terms of nonconvertible corporate bonds were as follows:

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2013	December 31, 2012	January 1, 2012	Note
2008								
First issued domestic unsecured nonconvertible corporate bonds	2008.7.9	2012.7.9~ 2013.7.9	2.86	$ 5,000,000	$ -	$ 2,500,000	$ 5,000,000	Serial bonds, to be settled 50%, 50%
Second issued domestic unsecured nonconvertible corporate bonds	2008.12.8	2012.12.8~ 2013.12.8	2.62	5,000,000	-	2,500,000	5,000,000	Serial bonds, to be settled 50%, 50%
2009								
First issued domestic unsecured nonconvertible corporate bonds	2009.8.28	2013.8.28~ 2014.8.28	1.78	5,600,000	2,800,000	5,600,000	5,600,000	Serial bonds, to be settled 50%, 50%
2010								
First issued domestic unsecured nonconvertible corporate bonds	2010.6.29	2014.6.29~ 2015.6.29	1.56	6,000,000	6,000,000	6,000,000	6,000,000	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	4,000,000	4,000,000	Serial bonds, to be settled 50%, 50%
2011								
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	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	4,000,000	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2013	December 31, 2012	January 1, 2012	Note
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	2022.1.22~ 2023.1.22	1.34	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	-	-	Serial bonds, to be settled 50%, 50%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2013	December 31, 2012	January 1, 2012	Note
2013								
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	$ -	$ -	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	-	-	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	-	-	Serial bonds, to be settled 50%, 50%
					57,800,000	50,600,000	35,600,000	
Less: Current portion of bonds payable					(7,800,000)	(7,800,000)	(5,000,000)	
					$ 50,000,000	$ 42,800,000	$ 30,600,000	

In order to improve the financial structure of the Group, the Board of Directors passed a resolution on March 26, 2013 to issue unsecured bonds of $20 billion. The issuance has been approved by the Financial Supervisory Committee (FSC) on May 8, 2013 and December 25, 2013, respectively, and the Group raised $20 billion on July 8, 2013 and January 17, 2014.

(13) Long-term bank loans and notes payable

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
Taipei Fubon Bank	Dec. 26, 2013 ~ Jul. 21, 2015, payable at maturity date; interest payable monthly	1.40%~1.52%	"	700,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Taiwan Bank	Aug. 14, 2013 ~ Jun. 5, 2016, payable at maturity date; interest payable monthly	1.30%	None	$ 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 Commercial 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
Industrial Bank of Taiwan	Dec. 27, 2013 ~ Jun. 27, 2016, payable at maturity date; interest payable monthly	1.37%	"	100,000
Mega International Commercial Bank	Jan. 2011 ~ Jan. 2015, principal payable semi-annually	0.86%~0.93%	"	2,306,150

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Mizuho Corporate Bank	May 2010 ~ Oct. 2014, principal payable semi-annually	0.71%~0.76%	None	$ 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
Mega International Commercial Bank	Mar. 11, 2010 ~ Mar. 11, 2017, principal payable semi-annually	1.71%~1.76%	"	2,535,611
Hua Nan Bank	Jan. 15, 2013 ~ Jan. 15, 2015, principal payable at maturity	1.28%	"	1,500,000
Mega International Commercial Bank	Jun. 21, 2013 ~ Jun. 21, 2016, principal payable at maturity	1.32%	"	2,000,000
First Commercial Bank	Sep. 16, 2013 ~ Sep. 16, 2016, principal payable at maturity	1.27%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Taiwan Cooperative Bank	Sep. 26, 2013 ~ Sep. 26, 2015, principal payable at maturity	1.28%	None	$ 1,300,000
Far Eastern International Bank	Apr. 22, 2013 ~ Apr. 22, 2016, principal payable at maturity	1.35%	"	1,200,000
Bangkok Bank	Dec. 11, 2013 ~ Dec. 11, 2015, principal payable at maturity	1.30%	"	200,000
HSBC	Dec. 11, 2013 ~ Dec. 11, 2015, principal payable at maturity	1.25%	"	1,500,000
Industrial Bank of Taiwan	Aug. 20, 2013 ~ Aug. 20, 2016, principal payable at maturity	1.32%~1.33%	"	500,000
China Trust Bank	Sep. 25, 2013 ~ Sep. 25, 2015, principal payable at maturity	1.33%	"	100,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
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
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 ~ Mar. 2014, principal payable semi-annually	1.51%~1.53%	Equipment	127,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2013
Hua Nan Bank	Apr. 26, 2010 ~ Aug. 11, 2017, principal payable annually	SIBOR 6 months 1.6%	Endorsement and guarantees of Formosa Taffeta Co,. Ltd.	$ 380,870
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2021, principal payable in equal quarterly amortizations	1.74%	Land	5,945
Taiwan Business Bank	Jan. 15, 2009 ~ Jan. 15, 2021, principal payable in equal monthly amortizations	1.82%	Factories and buildings	51,306
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2021, principal payable quarterly	1.56%	Land	48,140
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2016, principal payable quarterly	1.56%	Land	19,260
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd.	Jul. 1995 ~ Dec. 2018, payable at maturity date; interest payable monthly	1.07%~1.18%	Equipment	147,992
				68,223,355
Less: Current portion of long-term bank loans				(14,017,368)
Current portion of long-term notes payable				(127,000)
				$ 54,078,987

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2012
Long-term bank loans				
Unsecured loans				
Far Eastern International Bank	Feb. 7, 2012 ~ Feb. 7, 2015, payable at maturity date; interest payable monthly	1.12%~1.17%	None	$ 950,000
Taiwan Business Bank	Oct. 29, 2010 ~ Oct. 29, 2013, payable at maturity date; interest payable monthly	1.39%~1.43%	"	1,600,000
Japanese Mitsubishi Bank	Mar. 30, 2010 ~ Mar. 29, 2013, payable at maturity date; interest payable monthly	0.79%~1.07%	"	4,000,000
China Development Industrial Bank	Aug. 1, 2011 ~ Sep. 20, 2013, payable at maturity date; interest payable monthly	1.31%~1.37%	"	1,500,000
Jih Sun Bank	Aug. 1, 2011 ~ Jul. 1, 2013, payable at maturity date; interest payable monthly	1.21%~1.25%	"	700,000
Taiwan Bank	Aug. 1, 2011 ~ Jul. 28, 2014, payable at maturity date; interest payable monthly	1.28%~1.30%	"	3,500,000
ANZ Bank	Jun. 27, 2012 ~ Jun. 27, 2014, payable at maturity date; interest payable quarterly	1.28%~1.44%	"	2,996,000
ANZ Bank	Dec. 28, 2012 ~ Dec. 28, 2015, payable at maturity date; interest payable quarterly	1.28%	"	2,905,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2012
Taiwan Bank	Aug. 10, 2012 ~ May. 29, 2015, payable at maturity date; interest payable monthly	1.45%~1.47%	None	$ 1,500,000
Shin Kong Bank	Aug. 1, 2012 ~ Aug. 1, 2015, payable at maturity date; interest payable monthly	1.29%	"	1,000,000
Sino Pac Bank	Aug. 1, 2012 ~ Aug. 1, 2014, payable at maturity date; interest payable monthly	1.43%~1.44%	"	1,000,000
Entie Bank	Aug. 1, 2012 ~ Aug. 1, 2014, payable at maturity date; interest payable monthly	1.32%~1.50%	"	900,000
Taishin Bank	Aug. 1, 2012 ~ Aug. 1, 2014, payable at maturity date; interest payable monthly	1.33%~1.56%	"	2,000,000
Taipei Fubon Bank	Sep. 28, 2012 ~ Jul. 21, 2014, payable at maturity date; interest payable monthly	1.45%~1.51%	"	700,000
Export-Import Bank of the ROC	Jul. 27, 2012 ~ Jul. 27, 2017, payable at maturity date; interest payable monthly	1.16%~1.17%	"	400,000
Mega International Commercial Bank	Aug. 8, 2012 ~ Aug. 8, 2014, payable at maturity date; interest payable monthly	1.35%~1.38%	"	1,000,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2012
Taichung Bank	Sep. 17, 2012 ~ Sep. 17, 2015, payable at maturity date; interest payable monthly	1.49%	None	$ 1,000,000
Union Bank of Taiwan	Nov. 7, 2012 ~ Nov. 7, 2014, payable at maturity date; interest payable monthly	1.49%	"	950,000
Mega International Commercial Bank	Jan.31, 2011 ~ Jan. 29, 2016, principal payable semi-annually	0.93%~1.40%	"	2,243,473
Mizuho Corporate Bank	May. 2010 ~ May. 2014, principal payable semi-annually	0.76%~0.84%	"	155,392
HSBC	Aug. 18, 2009 ~ Aug. 18, 2016, principal payable semi-annually	2.32%~2.84%	"	1,701,542
HSBC	Mar. 11, 2010 ~ Mar. 11, 2017, principal payable semi-annually	1.76%~1.98%	"	3,159,243
Mizuho Corporate Bank	May. 2010 ~ May. 2013, principal payable semi-annually	0.76%~0.84%	"	339,920
Mega International Commercial Bank	Nov. 2012 ~ Nov. 2014, principal payable semi-annually	1.41%	"	874,080
Hua Nan Bank	Jun. 15, 2012 ~ Jun. 15, 2014, principal payable at maturity	1.28%	"	1,000,000
Mega International Commercial Bank	Jun. 13, 2011 ~ Jun. 13, 2014, principal payable at maturity	1.32%	"	1,200,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2012
First Commercial Bank	Sep. 16, 2011 ~ Sep. 16, 2014, principal payable at maturity	1.21%	None	$ 1,500,000
Taiwan Cooperative Bank	Sep. 21, 2012 ~ Sep. 21, 2014, principal payable at maturity	1.32%	"	1,300,000
Taipei Fubon Bank	Apr. 23, 2012 ~ Apr. 14, 2014, principal payable at maturity	1.20%	"	1,500,000
Far Eastern International Bank	Sep. 25, ~ Sep. 21, 2015, principal payable at maturity	1.23%	"	800,000
Bangkok Bank	Dec. 28, 2012 ~ Dec. 28, 2014, principal payable at maturity	1.28%	"	200,000
Mega International Commercial Bank	Dec. 21, 2012 ~ Dec. 11, 2014, principal payable at maturity	1.25%	"	900,000
Far Eastern International Bank	Oct. 4, 2012 ~ Oct. 3, 2015, principal payable at maturity	1.24%	"	100,000
Hua Nan Bank	Jan. 1 ~ Dec. 31, 2017, principal payable in equal annual amortizations	SIBOR6 months +1.6%	"	473,697

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2012	
Secured loans					
Mega International Commercial Bank	Jan. 2004 ~ Mar. 2014, principal payable semi-annually	1.48%~1.52%	Equipment	$	381,000
Mega International Commercial Bank	Aug. 2006 ~ Jul. 2017 principal payable semi-annually	1.53%~1.57%	Machinery and equipment acquired for the Sixth naphtha cracker project		8,023,740
Chang Hwa Bank	Aug. 1, 2011 ~ Aug. 1, 2015, payable at maturity date; interest payable monthly	1.59%	Land and factories		2,500,000
Taipei Fubon Bank	Sep. 28, 2012 ~ Jul. 21, 2014, payable at maturity date; interest payable monthly	1.45%~1.51%	Land and factories		3,300,000
Taiwan Cooperative Bank	Sep. 9, 2010 ~ Sep. 9, 2013, payable at maturity date; interest payable monthly	1.41%~1.44%	Stocks		2,300,000
Taishin Bank	Aug. 1, 2011 ~ Aug. 1, 2014, payable at maturity date; interest payable monthly	1.29%~1.56%	Stocks		3,500,000
Taiwan Cooperative Bank	Aug. 1, 2011 ~ Aug. 1, 2014, payable at maturity date; interest payable monthly	1.40%~1.44%	Stocks		2,200,000
Chang Hwa Bank	Aug. 2 2010 ~ Aug. 2, 2013, payable at maturity date; interest payable monthly	1.48%	Land		1,300,000
Taiwan Cooperative Bank	Aug. 2 2010 ~ Aug. 2, 2013, payable at maturity date; interest payable monthly	1.40%~1.44%	Stocks		2,000,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2012
Mega International Commercial Bank	Oct. 2, 2008 ~ Oct. 2, 2013, principal payable semi-annually	0.23%~0.45%	Fixed Assets	$ 97,966
Taiwan Cooperative Bank	Aug. 15, 2011 ~ Aug. 15, 2016, principal payable semi-annually	1.24%	Fixed Assets	670,000
Hua Nan Bank	Aug. 15, 2008 ~Jun. 22, 2017, principal payable semi-annually	1.21%~1.29%	Fixed Assets	1,230,000
CDIB	Dec. 19, 2008 ~ Dec. 19, 2013, principal payable semi-annually	1.31%	Fix assets	145,552
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2021, principal payable in equal quarterly amortizations	1.74%	Land	3,988
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2021, principal payable in equal quarterly amortizations	1.74%	Land	2,777
Taiwan Business Bank	Jan. 15, 2009 ~ Jan. 15, 2021, principal payable in equal monthly amortizations	1.82%	Factories and buildings	57,205
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2021, principal payable in equal quarterly amortizations	1.56%	Land	54,780
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2016, principal payable in equal quarterly amortizations	1.56%	Land	27,820

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	December 31, 2012
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd.	Oct. 31, 2001 ~ Dec. 31, 2013, interest payable semi-annually; principal payable annually	1.19%	None	$ 129,283
Idemitsu Kosan Co., Ltd.	Jul. 2005 ~ Dec. 2018, payable at maturity date; interest payable monthly	1.18%~1.20%	"	209,539
				74,181,997
Less: Current portion of long-term bank loans				(17,755,678)
Current portion of long-term notes payable				(254,000)
Long-term notes payable				(127,000)
				$ 56,045,319

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	January 1, 2012
Long-term bank loans				
Unsecured loans				
Sino Pac Bank	Dec. 28, 2011 ~ Dec. 28, 2013, payable at maturity date; interest payable monthly	1.18%~1.41%	None	$ 1,000,000
Taiwan Business Bank	Oct. 29, 2010 ~ Oct. 29, 2013, payable at maturity date; interest payable monthly	1.14%~1.39%	"	1,600,000
Far Eastern International Bank	Jun. 26, 2009 ~ Jun. 26, 2012, payable at maturity date; interest payable monthly	0.76%~1.12%	"	950,000
Japanese Mitsubishi Bank	Mar. 30, 2010 ~ Mar. 29, 2013, payable at maturity date; interest payable monthly	0.79%~1.03%	"	4,000,000
China Development Industrial Bank	Aug. 1, 2011 ~ Sep. 20, 2013, payable at maturity date; interest payable monthly	1.36%	"	1,500,000
Sino Pac Bank	Aug. 1, 2011 ~ Aug. 1, 2013, payable at maturity date; interest payable monthly	1.40%~1.41%	"	1,300,000
Jih Sun Bank	Aug. 1, 2011 ~ Jul. 1, 2013, payable at maturity date; interest payable monthly	1.21%~1.22%	"	700,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	January 1, 2012
Taiwan Bank	Aug. 1, 2011 ~ Jul. 28, 2014, payable at maturity date; interest payable monthly	1.21%~1.28%	None	$ 3,500,000
Mega International Commercial Bank	Jan. 31, 2011 ~ Jan. 29, 2016, principal payable semi-annually	0.87%~1.24%	"	2,332,330
Citibank	Nov. 2008 ~ Apr. 2013, principal payable semi-annually	0.80%~0.86%	"	423,387
Citibank	Nov. 2008 ~ Apr. 2013, principal payable semi-annually	5.36%~6.21%	"	208,848
DBS Bank	Feb. 2008 ~ Aug. 2012, principal payable semi-annually	0.88%~0.94%	"	164,912
DBS Bank	Feb. 2008 ~ Aug. 2012, principal payable semi-annually	5.18%~5.81%	"	210,451
Mizuho Corporate Bank	May 2010 ~ May 2013, principal payable semi-annually	0.81%~0.86%	"	588,972
Mizuho Corporate Bank	Aug. 2008 ~ Feb. 2013, principal payable semi-annually	0.81%~0.86%	"	150,440
Mizuho Corporate Bank	May 2010 ~ May 2014, principal payable semi-annually	0.87%~0.93%	"	269,245

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	January 1, 2012
HSBC	Aug. 18, 2009 ~ Aug. 18, 2016, principal payable semi-annually	2.11%~2.84%	None	$ 1,938,173
HSBC	Mar. 11, 2010 ~ Mar. 11, 2017, principal payable semi-annually	1.71%~1.98%	"	4,220,502
Hua Nan Bank	Jun. 15, 2011 ~ Jun. 15, 2013, principal payable at maturity	1.28%	"	800,000
Mega International Commercial Bank	Jun. 13, 2011 ~ Jun. 13, 2014, principal payable at maturity	1.12%	"	2,000,000
First Commercial Bank	Sep. 16, 2011 ~ Sep. 16, 2014, principal payable at maturity	1.21%	"	1,000,000
Taiwan Cooperative Bank	Sep. 21, 2011 ~ Sep. 21, 2013, principal payable at maturity	1.20%	"	1,300,000
Taiwan Business Bank	Apr. 16, 2010 ~ Apr. 16, 2013, principal payable at maturity	1.31%	"	500,000
Taipei Fubon Bank	Apr. 22, 2011 ~ Apr. 14, 2013, principal payable at maturity	1.20%	"	1,500,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	January 1, 2012
Far Eastern International Bank	Aug. 18, 2010 ~ Aug. 16, 2013, principal payable at maturity	1.15%	None	$ 800,000
Bangkok Bank	Dec. 28, 2011 ~ Dec. 28, 2013, principal payable at maturity	1.26%	"	200,000
CDIB	Jun. 24, 2011 ~ Jun. 24, 2013, principal payable at maturity	1.27%	"	500,000
Land Bank of Taiwan	Aug. 11, 2010 ~ Aug. 11, 2013, principal payable at maturity	1.24%	"	500,000
Land Bank of Taiwan	Nov. 19, 2010 ~ Oct. 26, 2013, principal payable at maturity	1.24%	"	500,000
China Trust Bank	Oct. 26, 2011 ~ Oct. 26, 2013, principal payable at maturity	1.27%	"	300,000
Taiwan Cooperative Bank	Dec. 25, 2009 ~ Dec. 25, 2012, principal payable at maturity	1.31%	"	600,000
Far Eastern International Bank	Jul. 19, 2010 ~ Jul. 14, 2013, principal payable at maturity	1.20%	"	300,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	January 1, 2012
Hua Nan Bank	Jan. 1, 2012 ~ Dec. 12, 2015, principal payable annually	SIBOR 6 months +1.6%	None	$ 460,487
DBS Bank	Feb. 2008 ~ Aug. 2012, principal payable semi-annually	5.18%~5.81%	"	132,466
DBS Bank	Feb. 2008 ~ Aug. 2012, principal payable semi-annually	0.88%~0.94%	"	141,353
Secured loans				
Mega International Commercial Bank	Jan. 2001 ~ Mar. 2014, principal payable semi-annually	1.05%~1.48%	Equipment	1,204,027
Mega International Commercial Bank	Aug. 2006 ~ Jul. 2017, principal payable semi-annually	1.28%~1.53%	Machinery and equipment acquired for the Sixth naphtha cracker project	10,012,008
Chang Hwa Bank	Aug. 1, 2011 ~ Aug. 1, 2014, payable at maturity date; interest payable monthly	1.37%~1.59%	Land and factories	3,700,000
Taipei Fubon Bank	Nov. 30, 2011 ~ Sep. 27, 2013, payable at maturity date; interest payable monthly	1.43%~1.49%	Land and factories	4,000,000
Taishin bank	April. 30, 2011 ~ May 25, 2013, payable at maturity date; interest payable monthly	0.89%~1.26%	Stocks	3,000,000

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	January 1, 2012
Taishin Bank	Aug. 1, 2011 ~ Aug. 1, 2014, payable at maturity date; interest payable monthly	1.05%~1.10%	Stocks	$ 3,500,000
Taiwan Cooperative Bank	Aug. 1, 2011 ~ Aug. 1, 2014, payable at maturity date; interest payable monthly	1.40%~1.41%	Stocks	2,200,000
Taiwan Cooperative Bank	Sep. 9, 2010 ~ Sep. 9, 2013, payable at maturity date; interest payable monthly	1.17%~1.41%	Stocks	2,300,000
Chang Hwa Bank	Aug. 2, 2010 ~ Aug. 2 2013, payable at maturity date; interest payable monthly	1.26%~1.48%	Land	1,300,000
Taiwan Cooperative Bank	Aug. 2, 2010 ~ Aug. 2 2013, payable at maturity date; interest payable monthly	1.17%~1.40%	Stocks	2,000,000
Mega International Commercial Bank	Oct. 2, 2008 ~ Oct. 2, 2013, principal payable semi-annually	0.27%~1.33%	Fixed Assets	201,326
Taiwan Cooperative Bank	Aug. 15, 2011 ~ Aug. 15, 2016, principal payable semi-annually	1.21%	Fixed Assets	670,000
Hua Nan Bank	Aug. 13, 2008, ~ Jun. 21, 2015, principal payable semi-annually	1.12%~1.25%	Fixed Assets	1,100,000
CDIB	Dec. 19, 2008 ~ Dec. 19, 2013, principal payable semi-annually	1.27%	Fixed Assets	316,571

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	January 1, 2012
Mega International Commercial Bank	May. 9, 2007 ~ May. 9, 2012, principal payable semi-annually	1.37%	Fixed Assets	$ 87,500
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2021, principal payable quarterly	1.74%	Land	4,471
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2021, principal payable quarterly	1.74%	Land	3,114
Taiwan Business Bank	Jan. 15, 2009 ~ Jan. 15, 2021, principal payable monthly	1.82%	Factories and buildings	62,998
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2021, principal payable quarterly	1.56%	Land	61,420
Taiwan Business Bank	Apr. 15, 2009 ~ Jan. 15, 2016, principal payable quarterly	1.56%	Land	36,380

Type of loans	Borrowing period/repayment term	Interest rate range	Collateral	January 1, 2012
Non-financial sector borrowings				
Idemitsu Kosan Co., Ltd	Oct. 31, 2001 ~ Dec. 31, 2013, interest payable semi-annually; principal payable annually	1.20%	None	299,838
Idemitsu Kosan Co., Ltd	Jul, 2005 ~ Dec, 2018, payable at maturity date; interest payable monthly	1.19%~1.20%	None	283,483
				72,934,702
Less: Current portion of long-term bank loans				(8,110,823)
Current portion of long-term notes payable				(254,000)
Long-term notes payable				(381,000)
				$ 64,188,879

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

B. In order to finance the construction of the Sixth Naphtha Cracker project and the related factories, the Group entered into a long-term loan agreement with 32 banks on April 28, 1994. The Bank of Communications was the lead bank for the syndicated loan. Due to the expansion of the six Naphtha Cracker project, The Group re-entered into a long-term loan agreement with the banks on May 6, 1999 and on December 6, 2000. The details were as follows:

(a)Total credit line: NT$16,235,000,000 and US$260,000,000

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

(c)Period: 10~15 years

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

As of December 31, 2013, $11,389,000 of the 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 May of the following year.

According to the long-term loan agreement, the Group should settle the loans by issuing a serial check. As of December 31, 2013, The Group had issued serial checks of $127,000 which was accounted for as current portion of long-term liabilities.

C.In order to finance the construction of the Sixth Naphtha four expansion plan and the related factories, the Group obtained a syndicated loan with Bank of Communications as the lead bank. Due to the expansion of the six Naphtha Cracker project, The Group re-entered into a long-term loan agreement with the banks on May 15, 2006. The details were as follows:

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

(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, 2013, $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.

D. 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

As of December 31, 2013, $12,100,000 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 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.

E.Formosa Industries Corp.'s long-term borrowing from banks is for the construction of its plant. The borrowing is guaranteed by Nan Ya Plastics Corp.'s drawn note of $1,928,205.

F.The Group has signed a long-term financing contract with Mega Bank. The borrowing amount is $2,000,000 and the borrowing period is from June 13, 2011 to June 13, 2014. The critical restrictions on the aforementioned borrowing contract are as follows:

The Group has promised to maintain a current ratio of above 100% during the term of the financing contract. The aforementioned financial ratio should be calculated based on annual financial statements audited by independent accountants. If the Group fails to meet the required covenants, the Group should improve before September of the succeeding year. Furthermore, the Group should provide financial statements audited by independent accountants to creditor banks within 4 months from the end of fiscal year.

(14) Pensions

A.(a)The Group 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. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Trust Department of Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded obligations	$ 11,079,365	$ 11,141,936	$ 10,944,496
Fair value of plan assets	(420,777)	(496,920)	(583,202)
	10,658,588	10,645,016	10,361,294
Unrecognised actuarial losses /(gains)	(206,500)	(152,835)	-
Net liability in the balance sheet	$ 10,452,088	$ 10,492,181	$ 10,361,294

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

	2013	2012
Present value of funded obligations		
At January 1	$ 11,141,936	$ 10,944,496
Current service cost	165,088	172,461
Interest expense	182,415	200,651
Actuarial profit and loss	53,025	149,231
Benefits paid	(463,667)	(324,903)
Obligation from business combination	568	-
At December 31	$ 11,079,365	$ 11,141,936

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

	2013	2012
Fair value of plan assets		
At January 1	$ 496,920	$ 583,202
Expected return on plan assets	7,445	8,677
Actuarial profit and loss	(1,465)	(3,604)
Employer contributions	82,501	81,546
Benefits paid	(164,624)	(172,901)
At December 31	$ 420,777	$ 496,920

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

	For the years ended December 31,	
	2013	2012
Current service cost	$ 165,088	$ 172,461
Interest cost	182,415	200,651
Expected return on plan assets	(5,980)	(5,073)
Actuarial profit and loss	(1,465)	(3,604)
Amortization of actuarial profit and loss	826	-
Current service cost	$ 340,884	$ 364,435

Details of cost and expenses recognised in statements of comprehensive income are as follows:

	For the years ended December 31,	
	2013	2012
Cost of sales	$ 239,732	$ 256,295
Selling expenses	23,583	25,212
General and administrative expenses	77,569	82,928
	$ 340,884	$ 364,435

(f)The Bank of Taiwan was commissioned to manage the Fund of the Company's and 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 2012 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	2012
Discount rate	1.65%	1.65%~1.85%
Future salary increases	0.50%~2.50%	0.50%~2.50%
Expected return on plan assets	1.65%	1.65%

Future mortality rate was estimated based on the Taiwan Annuity Table.

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

	For the years ended December 31, 2013	2012
Present value of defined benefit obligation	$ 11,079,365	$ 11,141,936
Fair value of plan assets	(420,777)	(496,920)
Surplus/(deficit) in the plan	$ 10,658,588	$ 10,645,016
Experience adjustments on plan liabilities	($ 53,025)	($ 149,231)
Experience adjustments on plan assets	($ 1,465)	($ 3,604)

B.(a)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 R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The Company's mainland 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 2012 was both 12%. Other than the monthly contributions, the Group has no further obligations.

(c)The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2013 and 2012 were $310,888 and $289,125, respectively.

(15) Capital stock

A.As of December 31, 2013, 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 $10 per share. All proceeds from shares issued have been collected.

B.Changes in the treasury stocks for the years ended December 31, 2013 and 2012 are set forth below:

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

		For the year ended December 31, 2012			
Reason for reacquisition	Subsidiary	Beginning shares	Additions	Disposal	Ending shares
Parent company shares held by subsidiaries reclassified from long-term investment to treasury stock	Formosa Taffeta Co.	10,892,826	-	-	10,892,826
	Formosa Advanced Technologies Co.	6,143,488	800,000	-	6,943,488
	Total	17,036,314	800,000	-	17,836,314

C.The market value of treasury stocks was $84 and $75 (in dollars) per share at December 31, 2013 and 2012, 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 mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	For the 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	$ 2,710,554	$ 5,514,032	$ 119,962	$ 80,035	$ 3,771	$ 204,224

	For the year ended December 31, 2012					
	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, 2012	$ 2,710,554	$ 5,514,032	$ 71,934	$ -	$ -	$ 204,224
Dividends allocated to subsidiaries	-	-	23,117	-	-	-
At December 31, 2012	$ 2,710,554	$ 5,514,032	$ 95,051	$ -	$ -	$ 204,224

(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 net 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 appropriation of 2012 earnings had been resolved by the Board of Directors on June 17, 2013 and the appropriation of 2011 earnings had been resolved at the stockholders' meeting on June 15, 2012. Details are as follows:

	For the years ended December 31,			
	2012		2011	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 709,426		$ 3,297,085	
Special reserve	-		5,785,007	
Cash dividends	3,698,806	$ 0.65	22,761,889	$ 4.0
Stock dividends	1,707,142	0.30	-	
	$ 6,115,374		$ 31,843,981	

Note: The employees' bonus for 2012 and 2011 which were resolved at the stockholders' meetings were $9,716 and $98,457, 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 $13,380 for 2012 and 2011, respectively, based on the percentage stated in the Articles of Incorporation, taking into consideration net profit for 2012 and 2011, balances of legal reserve, special reserve, and shareholder dividends. Because the Company allocates employees' bonus in cash, the amount shall be recognised 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 recognised in the next year's profit and loss. The difference of $3,664 between the actual allocation amount for 2012 employees' bonus resolved at the stockholders' meeting and the accrued amount in the 2012 financial statements was adjusted into profit and loss of 2013.

G.The resolution of the appropriations of the 2013 net income had been resolved during the Board of Directors' meeting on March 21, 2014 as follows:

	For the year ended December 31, 2013	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 2,486,364	
Special reserve	2,551,455	
Cash dividends	14,652,966	$ 2.50
	$ 19,690,785	

Note: The employees' bonus resolved by the Board of Directors during its meeting was $51,345 for 2013.

(18) Other equity items

	Hedging reserve	Available-for-sale investment	Currency translation	Non-controlling interest	Total
At January 1, 2013	($ 12,791)	$ 60,584,440	($ 1,475,476)	$ 45,195,563	$ 104,291,736
Unrealised gain (loss) on available-for-sale investments:					
–Group	-	13,467,350	-	(680,967)	12,786,383
–Associates	-	2,423,629	-	-	2,423,629
Cash flow hedges:					
–Group	-	-	-	-	-
–Associates	14,583	-	-	-	14,583
Currency translation differences:					
–Group	-	-	2,355,976	226,829	2,582,805
–Income tax effect	-	-	(310,497)	-	(310,497)
–Associates	-	-	114,056	-	114,056
At December 31, 2013	$ 1,792	$ 76,475,419	$ 684,059	$ 44,741,425	$ 121,902,695

	Hedging reserve	Available-for-sale investment	Currency translation	Non-controlling interest	Total
At January 1, 2012	($ 49,342)	$ 62,842,815	$ -	$ 47,922,700	$ 110,716,173
Unrealised gain (loss) on available-for-sale investments:					
–Group	-	(2,328,256)	-	(1,838,962)	(4,167,218)
–Associates	-	69,881	-	-	69,881
Cash flow hedges:					
–Group					
–Associates	36,551	-	-	-	36,551
Currency translation differences:					
–Group	-	-	(1,646,357)	(535,904)	(2,182,261)
–Income tax effect	-	-	264,246	-	264,246
–Associates	-	-	(93,365)	-	(93,365)
At December 31, 2012	($ 12,791)	$ 60,584,440	($ 1,475,476)	$ 45,547,834	$ 104,644,007

(19) Operating revenue

	For the years ended December 31,	
	2013	2012
Sales revenue	$ 427,095,629	$ 390,748,085
Service revenue	606,141	570,066
Other operating revenue	298,164	281,830
	$ 427,999,934	$ 391,599,981

(20) Other income

	For the years ended December 31,	
	2013	2012
Rental revenue	$ 143,000	$ 136,524
Interest income:		
Interest income from bank deposits	108,422	111,338
Interest from current account with others	284,026	277,052
Other interest income	82,459	58,665
Government grants	148,825	386,803
Dividend income	1,086,634	3,905,818
Other revenue	980,662	1,214,390
	$ 2,834,028	$ 6,090,590

(21) Other gains and losses

	For the years ended December 31,	
	2013	2012
Net (loss) gain on financial assets at fair value through profit or loss	($ 13,714)	$ 4,286
Net gain on financial liabilities at fair value through profit or loss	63,865	86,356
Net currency exchange gain	2,809,442	247,560
Gain on disposal of investments	174,705	318
Gain on disposal of property, plant and equipment	213,208	50,673
Impairment loss on property, plant and equipment	(763,757)	-
Other losses	(485,159)	(407,927)
	$ 1,998,590	($ 18,734)

(22) Finance costs

	For the years ended December 31,	
	2013	2012
Interest expense:		
Bank loans	$ 1,524,995	$ 1,801,084
Corporate bonds	879,599	694,965
Current account with others	165,346	323,096
Discount	58,612	54,577
Other interest expenses	120,351	81,664
	2,748,903	2,955,386
Less: capitalisation of qualifying assets	(128,137)	(106,378)
Finance costs	$ 2,620,766	$ 2,849,008

(23) Expenses by nature

	For the years ended December 31,	
	2013	2012
Depreciation charges on property, plant and equipment	$ 18,110,987	$ 18,554,656
Employee benefit expense	13,673,834	12,859,298
Amortisation	4,224,724	3,136,738
	$ 36,009,545	$ 34,550,692

(24) Employee benefit expense

	For the years ended December 31,	
	2013	2012
Wages and salaries	$ 11,644,111	$ 10,897,231
Labor and health insurance fees	806,446	768,808
Pension costs	651,772	653,560
Other personnel expenses	571,505	539,699
	$ 13,673,834	$ 12,859,298

(25) Income tax

A.Income tax expense

(a)Components of income tax expense:

	For the years ended December 31,	
	2013	2012
Current tax:		
Current tax on profits for the year	$ 2,950,592	$ 562,151
Adjustments in respect of prior years	13,746	27,922
Total current tax	2,964,338	590,073
Deferred tax:		
Effect of exchange rate	(2,884)	3,593
Origination and reversal of temporary differences	666,849	196,392
Total deferred tax	663,965	199,985
Income tax expense	$ 3,628,303	$ 790,058

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

	For the years ended December 31,	
	2013	2012
Currency translation differences	($ 310,497)	$ 264,246

B.Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2013	2012
Tax calculated based on profit before tax and statutory tax rate	$ 5,954,333	$ 1,800,485
Effect from items disallowed by tax regulation	(1,974,822)	(1,273,056)
Effect from investment tax credits	(457,067)	(856,108)
Effect from net operating loss carryforward	(307,892)	-
Effect from five-year exemption	16,433	314,841
Effect from allowance for deferred tax assets	213,830	(27,799)
Additional 10% tax on undistributed earnings	146,517	730,318
Under provision of prior year's income tax	30,700	101,377
Effect from Alternative Minimum Tax	6,271	-
Income tax expense	$ 3,628,303	$ 790,058

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			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	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
	3,884,291	(569,206)	(159,140)	3,155,945
Deferred tax liabilities:				
Temporary differences				
Currency translation differences	-	-	(151,357)	(151,357)
Unrealised gain on financial assets	(2,108)	1,878	-	(230)
Investment income accounted for using equity method	-	(51,263)	-	(51,263)
Unrealised exchange gain	(421)	(48,258)	-	(48,679)
	(2,529)	(97,643)	(151,357)	(251,529)
	$ 3,881,762	($ 666,849)	($ 310,497)	$ 2,904,416

	For the year ended December 31, 2012			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Currency translation differences	$ -	$ -	$ 159,140	$ 159,140
Unrealized gain from downstream transactions	96,244	(84,922)	-	11,322
Loss on inventory	19,663	33,919	-	53,582
Accrued pension liabilities	1,740,216	39,512		1,779,728
Unrealized exchange loss	20,608	(15,025)		5,583
Others	319,491	(121,390)	-	198,101
Net operating loss carryforward	17,140	16,471		33,611
Investment tax credits	1,709,000	(65,776)	-	1,643,224
	3,922,362	(197,211)	159,140	3,884,291
Deferred tax liabilities:				
Temporary differences				
Currency translation differences	(105,106)	-	105,106	-
Unrealised gain on financial assets	-	(2,108)	-	(2,108)
Unrealized exchange gain	(3,348)	2,927	-	(421)
	(108,454)	819	105,106	(2,529)
	$ 3,813,908	($ 196,392)	$ 264,246	$ 3,881,762

D.According to Act for Industrial Innovation and Statute for Upgrading Industries (before its abolishment), details of investment tax credits and unrecognised 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
Investment in barren areas	144,149	107,002	2016
Investment in barren areas	164,778	-	2017
Investments in emerging important strategic industries	632,753	96,483	2016
	$ 1,148,024	$ 203,652	

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

		December 31, 2013		
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2005	Assessed	$ 20,298	$ -	2015
2006	Assessed	77,103	-	2016
2007	Assessed	680	680	2017
2009	Assessed	26,790	22,286	2019
2010	Assessed	9,371	9,371	2020
2011	Assessed	648,140	648,140	2021
2012	Amount filed	1,481,987	1,481,987	2022
2013	Amount filed	1,489,957	1,488,076	2023
		$ 3,754,326	$ 3,650,540	

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

	December 31, 2013	December 31, 2012	January 1, 2012
Deductible temporary differences	$ 4,967,338	$ 4,967,338	$ 5,084,029

G. As of December 31, 2013, the status of Group's income tax assessment is as follows:

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

H.Unappropriated retained earnings:

	December 31, 2013	December 31, 2012	January 1, 2012
Earnings generated in and before 1997	$ 6,198,462	$ 6,198,462	$ 6,198,462
Earnings generated in and after 1998	37,171,965	18,423,694	42,952,512
	$ 43,370,427	$ 24,622,156	$ 49,150,974

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

	December 31, 2013	December 31, 2012	January 1, 2012
Balance of the imputation credit account	$ 1,813,230	$ 1,818,473	$ 1,885,244

	2013 (Estimate)	2012 (Actual)	2011 (Actual)
Creditable tax rate	9.72%	13.18%	10.54%

(26) Earnings per share

A.Basic earnings per share

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

For the years ended December 31, 2013 and 2012, the earnings per share are calculated as follows:

	For the year ended December 31, 2013				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
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	$27,149,782	$24,863,645	5,844,603	$ 4.65	$ 4.25

	For the year ended December 31, 2012				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
Consolidated net income	$ 9,293,443	$ 8,503,385		$ 1.59	$ 1.45
Net income of non-controlling interest	(1,883,156)	(1,188,222)		(0.32)	(0.20)
Profit attributable to ordinary shareholders of the parent	$ 7,410,287	$ 7,315,163	5,842,815	$ 1.27	$ 1.25

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	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
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	$27,149,782	$24,863,645	5,861,186	$ 4.63	$ 4.24

	For the year ended December 31, 2012				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
Consolidated net income	$ 9,293,443	$ 8,503,385		$ 1.58	$ 1.45
Net income of non-controlling interest	(1,883,156)	(1,188,222)		(0.32)	(0.20)
Profit attributable to ordinary shareholders of the parent	$ 7,410,287	$ 7,315,163	5,861,186	$ 1.26	$ 1.25

The average weighted outstanding stocks as of December 31, 2013 and 2012 were adjusted in accordance with the percentage of unappropriated retained earnings transferred to capital in 2013 retrospectively.

(27) Non-cash transaction

A.Investing activities with partial cash payments:

	For the years ended December 31, 2013	2012
Purchase of fixed assets	$ 14,257,517	$ 8,647,709
Add: opening balance of payable on equipment	261,768	398,204
Less: ending balance of payable on equipment	(1,356,992)	(261,768)
Cash paid during the year	$ 13,162,293	$ 8,784,145

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

	For the years ended December 31, 2013	2012
Proceeds of disposal of subsidiaries	$ 125,622	$ -
Less: decrease in subsidiaries' cash	(2,877)	-
Effects from change in cash of disposal of subsidiaries	$ 122,745	$ -

C.Financing activities with no cash flow effects:

	For the years ended December 31, 2013	2012
Allocation of cash dividends	$ 3,698,806	$ 22,761,889
(Decrease) increase in dividends payable	(113,244)	4,230
Cash dividends paid during the year	$ 3,585,562	$ 22,766,119

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A.Sales of goods:

	For the years ended December 31, 2013	2012
Sales of goods:		
— Associates	$ 42,511,326	$ 40,393,346
— Other related parties	53,735,719	53,869,099
	$ 96,247,045	$ 94,262,445

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

B.Purchases of goods:

	For the years ended December 31,	
	2013	2012
Purchases of goods:		
— Associates	$ 215,589,217	$ 203,239,481
— Other related parties	23,806,583	21,092,959
	$ 239,395,800	$ 224,332,440

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.Notes and accounts receivable:

	December 31, 2013	December 31, 2012	January 1, 2012
Receivables from related parties:			
— Associates	$ 4,528,045	$ 3,894,683	$ 2,015,679
Less: overdue amount transferred to other receivables	-	(13,882)	(4,903)
	4,528,045	3,880,801	2,010,776
— Other related parties	4,990,766	5,407,573	5,131,402
	$ 9,518,811	$ 9,288,374	$ 7,142,178

The receivables from related parties arise mainly from sale transactions. The receivables are due 30~120 days after the date of sale. There are no provisions held against receivables from related parties.

D.Accounts payable:

	December 31, 2013	December 31, 2012	January 1, 2012
Payables to related parties:			
— Associates	$ 22,101,389	$ 20,354,014	$ 12,493,853
— Other related parties	2,375,079	2,520,358	2,294,950
	$ 24,476,468	$ 22,874,372	$ 14,788,803

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

E.Expansion and repair project

(a)Expansion and repair project:

	For the years ended December 31,	
	2013	2012
Expansion and repair works of factory sites		
— Associates	$ 187,447	$ 287,063
— Other related parties	72,040	75,802
	$ 259,487	$ 362,865

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

	December 31, 2013	December 31, 2012	January 1, 2012
Payables to related parties:			
— Associates	$ 7,158	$ 60	$ 3,636
— Other related parties	3,151	3,792	2,156
	$ 10,309	$ 3,852	$ 5,792

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

F.Financing

(a)Ending balance of accounts receivable - related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 2,500,700	$ 660,000	$ 6,600,000
Other related parties	10,800,000	18,500,000	9,320,000
	$ 13,300,700	$ 19,160,000	$ 15,920,000

(b)Interest income

	For the years ended December 31,	
	2013	2012
Associates	$ 42,145	$ 56,073
Other related parties	241,787	219,453
	$ 283,932	$ 275,526

The loan terms to associates are in accordance with the contract's repayment schedule after the loan is made; interest was collected at 1.61%~1.65% per annum for the years ended December 31, 2013 and 2012.

(c)Ending balance of payables to related parties

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 154,800	$ 263,306	$ 438,943
Other related parties	3,059,892	5,864,289	6,475,409
	$ 3,214,692	$ 6,127,595	$ 6,914,352

(d)Interest expense

	For the years ended December 31,	
	2013	2012
Associates	$ 7,552	$ 6,701
Other related parties	152,058	788,516
	$ 159,610	$ 795,217

The loan terms from associates are in accordance with the contract's repayment schedule after the loan is made; interest is paid at a rate of 1.61%~3.92% and 1.61%~5.49% for the years ended December 31, 2013 and 2012, respectively.

G.Advance receivables (shown as other receivables)

(a)Project design cost advance receivable

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 2,116,957	$ 633,076	$ 264,290

(b)As of December 31, 2013, the amount of advances the Group paid on behalf of associates for equipment held for resale was $5,962,189, shown as other current assets.

H.Operating expenses

	For the years ended December 31,	
	2013	2012
Transportation charges		
－Other related parties	$ 1,058,577	$ 1,379,762

I.Rental revenue

	For the years ended December 31,	
	2013	2012
Associates	$ 40,708	$ 32,402
Other related parties	88,897	84,042
	$ 129,605	$ 116,444

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

J.Property transactions:

(a) Proceeds from sale of property and gain (loss) on disposal:

	For the years ended December 31,			
	2013		2012	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Sale of property, plant and equipment:				
— Other related parties	$ 18,828	$ -	$ -	$ -
Disposal of shares:				
— Associates	126,000	48,526	-	-
	$ 144,828	$ 48,526	$ -	$ -

(b) Price of assets acquired

	For the years ended December 31,	
	2013	2012
Purchase of property, plant and equipment		
— Associates	$ -	$ 143,985
— Other related parties	-	-
	$ -	$ 143,985
Purchase of stock right		
— Associates	$ 14,928,029	$ 5,113,520
— Other related parties	-	2,250,000
	$ 14,928,029	$ 7,363,520

K.Donation

	For the years ended December 31,	
	2013	2012
Other related parties	$ 7,632	$ 11,186

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

(2) Key management compensation

	For the years ended December 31,	
	2013	2012
Salaries	$ 130,732	$ 131,313
Post-employment benefits	1,571	1,500
	$ 132,303	$ 132,813

8. PLEDGED ASSETS

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

	Book value			
Pledged assets	December 31, 2013	December 31, 2012	January 1, 2012	Purpose
Long-term equity investments accounted for under the equity method	$ 11,118,394	$ 9,575,817	$ 10,349,444	Collateral for bank loans
Property, plant and equipment	10,243,919	13,991,008	16,470,345	〃
Available-for-sale financial assets - non-current	851,185	775,996	806,861	〃
Other non-current assets	-	1,018	307	〃
Inventory (land for sale)	75,342	41,247	-	Limited transfer for land tax reassessment and collateral
Other current assets	14,737	27,812	-	Performance guarantee
	$ 22,303,577	$ 24,412,898	$ 27,626,957	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The details of commitments and contingencies as of December 31, 2013 were as follows:

(1)Capital expenditures of property, plant and equipment that were contracted but not yet completed amounted to $5,508,002, RMB416,386 and VND477,360,997.

(2)The outstanding letters of credit for major raw materials and equipment purchases amounted to US$190,642,000, EUR24,529,000, ￥1,285,973,000, CHF279,000 and GBP594,000.

(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 $12.1 billion for the year ended December 31, 2013. As of December 31, 2013, the loan facility had not 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. (Ningpo) signed a syndicated loan contract with a consortium, which included Taiwan Cooperative Bank, for

US$130,000,000 and RMB300,000,000 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 Resourse Corp., needs to sign a loan with ANI 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)The Group has invested collaboratively with Chang Gung Memorial Hospital in 'United Biomedical. Inc. Asia' in 2013. The investment is expected to be increased with 3 phases, and the total amount of investment is expected to be $1.273 billion. As of December 31, 2013, the Group has invested $800 million.

(7)As of December 31, 2013, the pledged amount for the purchase of major raw materials was US$34,005,000.

(8)Formosa Advanced Technologies Co., Ltd. is engaged in processing various integrated circuit package testing and is responsible for safekeeping. As of December 31, 2013, the number of integrated circuit packages in custody for testing was as follows:

	December 31, 2013		
	Amount (Unit: PC)	Market price (per piece)	
1. Work in process			
LED	237,421,583	NTD	0.08~1.54
TSOP	5,927,144	USD	0.35~1.00
FBGA	36,853,207	USD	1.70~5.00
Model	105,688	USD	15.10~63.44
MICRO-SD	221,371	USD	2.615~2.983
Others	5,571	USD	1.00
	280,534,564		
2. Finished goods			
LED	24,602,290	NTD	0.08~1.54
TSOP	8,551,581	USD	0.35~1.00
FBGA	31,990,013	USD	1.70~5.00
Model	26,817	USD	15.10~63.44
MICRO-SD	108,394	USD	2.615~2.983
Others	16,490	USD	1.00
	65,295,585		
	345,830,149		
	Amount (Unit: slice)	Market price (per slice)	
3. Work in process			
LED	865	NTD	1,510~6,030
Others	2,385	USD	1,200
	3,250		
4. Finished goods			
LED	6,379	NTD	1,510~6,030
Others	923	USD	1,200
	7,302		
	10,552		
	Amount (Unit: piece)	Market price (per piece)	
5. Work in process			
LED package	6,912,207	NTD	0.60~112
6. Finished goods			
LED package	923,205	NTD	0.60~112
	7,835,412		

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1)The resolution of the appropriations of the 2013 net income was approved in the Board of Directors' meeting on March 21, 2014. Details are provided in Note 6(17) G.

(2)The Group decided to sell no more than 51,600,000 shares of Formosa Petrochemical Corp. in the public market with the approval of the Board of Directors for the year ended December 31, 2013, in order to strengthen the Group's financial structure. The shares sold to related party – Chang Gung Medical Fundation shall not exceed 17,200,000 shares. The Group had completed the sale in January, 2014; and the total shares sold were 48,907,000 shares. The Group's ownership percentage of Formosa Petrochemical Corp. was 24.38% after the disposal of shares.

(3)The authorized amount for the capital of the Company's investee recognised under the equity method, Formosa Resourse Corp., was increased from $12,000,000 to $16,650,000 in order to satisfy the capital demands of the investments in mineral resource constructions. In accordance with the Company's draft, the Company shall increase capital proportionately with the ownership percentage by $1,162,500, and the total investment amount after the capital increase was $4,162,500. These transactions were approved by the Board of Directors on March, 21, 2014.

(4)FORMOSA STEEL IB PTY LTD., an investee company of the Company's investee recognised under the equity method, Formosa Resourse Corp., drafted a syndicated loan for US$700 million in order to meet the capital requirements of investments in mineral resources, repay bridging finances and to improve the Company's working capital. The consortium responsible for the syndicated loan requires the Group to issue a promissory note proportionate to the Company's ownership percentage and has to support the debtor in repaying the loans within the required limits. The loan was approved by the Board of Directors on March 21, 2014.

(5)The Company's investee company – Formosa Group (CAYMAN) Corp. drafted a medium term loan with the Bank with a credit term of no more than 3 years n order to fulfill the construction and equipment requirements of Formosa Ha Tinh Steel Corp.'s Sanyo Deepwater and Large Steel Plank joint investment project in Vietnam. Under the loan agreement, the Company shall provide a loan guarantee proportionate with its ownership percentage and guarantee 25% of the Company's loan amount at maturity. These transactions had been approved by the Board of Directors on March 21, 2014.

(6)Due to the demands of the investment plans, the Company plans to adjust the investment structure in Formosa Ha Tinh Steel Corp., and establish Formosa Group (CAYMAN) Corp. in the Cayman Islands. The adjustments in the investment structure had been approved by the Board of Directors on March 21, 2014.

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

The gearing ratios at December 31, 2013, December 31, 2012 and January 1, 2012 were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total borrowings	$ 154,020,038	$ 148,699,170	$ 135,634,086
Less: cash and cash equivalents	(11,459,481)	(11,562,869)	(10,144,697)
Net debt	142,560,557	137,136,301	125,489,389
Total equity	312,707,801	273,166,856	295,030,078
Total capital	$ 455,268,358	$ 410,303,157	$ 420,519,467
Gearing ratio	31%	33%	30%

(2) Financial instruments

A.Fair value information of financial instruments

Except 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 loans, notes payable (including related parties), accounts payable (including related parties) and 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: 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(21)).

(b)Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group 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 operates internationally and 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, recognised assets and liabilities.

ii.Management has set up a policy to require group companies to manage their foreign exchange risk against its functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii.The Group hedges recognised assets or liabilities denominated in foreign currencies or highly expectable transactions by utilising forward exchange contracts and 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 Amount (In Thousands)	Exchange Rate		Book Value (NTD)
Financial assets					
Monetary items					
USD：NTD	$	551,782	29.95	$	16,525,871
JPY ：NTD		675,363	0.28		192,208
Non-monetary items					
RMB：NTD	$	7,324,007	4.91	$	35,977,954
USD ：NTD		33,344	29.95		998,653
VND：NTD		20,927,875,514	0.001419		29,696,655
Financial liabilities					
Monetary items					
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, 2012				
Financial assets		Foreign Currency Amount (In Thousands)	Exchange Rate		Book Value (NTD)
Monetary items					
USD：NTD	$	345,009	29.14	$	10,052,182
JPY ：NTD		466,621	0.34		156,971
Non-monetary items					
RMB：NTD	$	7,342,110	4.64	$	34,033,846
USD ：NTD		33,110	29.14		962,200
VND ： NTD		10,842,114,976	0.0014		15,157,277
Financial liabilities					
Monetary items					
USD：NTD	$	56,219	29.14	$	1,637,997
JPY ：NTD		1,231,192	0.34		414,173
USD：RMB		1,010,794	29.14		29,450,494
USD：VND		314,882	29.14		9,174,402

	January 1, 2012		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD：NTD	$ 266,780	30.29	$ 8,080,766
JPY ：NTD	420,162	0.39	164,115
Non-monetary items			
RMB：NTD	$ 6,925,786	4.81	$ 33,293,983
VND ：NTD	7,824,724,306	0.0014	11,273,315
Financial liabilities			
Monetary items			
USD：NTD	$ 56,771	30.29	$ 1,719,594
JPY ：NTD	1,623,184	0.39	634,016
USD：RMB	1,196,577	30.29	36,244,317
USD：VND	254,950	30.29	6,158,675

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

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

	For the year ended December 31, 2012		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD：NTD	1%	$ 100,522	$ -
JPY ：NTD	1%	1,570	-
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 88,740	$ -
JPY ：NTD	1%	1,835	-
USD：RMB	1%	275,886	-
USD：VND	1%	38,564	-

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 and unlisted 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 2012 would have increased/decreased by $1,143,740 and $699,207, 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 2012, the Group's borrowings at variable rate were denominated in the NTD and USD.

B.At December 31, 2013 and 2012, 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 2012 would have been $566,254 and $615,711 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 are accepted.

ii.No credit limits were exceeded during the reporting periods, 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 Group treasury. 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. 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:

December 31, 2013	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
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	-	-	-

December 31, 2012	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 23,917,173	$ -	$ -	$ -
Short-term bills payable	12,898,852	-	-	-
Notes payable (including related parties)	157,144	-	-	
Accounts payable (including related parties)	28,234,968	-	-	-
Other payables (including related parties)	11,882,223	-	-	-
Bonds payable	7,800,000	7,800,000	24,000,000	11,000,000
Long-term borrowings	18,009,678	34,535,925	20,353,313	1,156,081
Long-term notes payable	-	127,000	-	-

Non-derivative financial liabilities:

January 1, 2012	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 27,099,384	$ -	$ -	-
Short-term bills payable	980,799	-	-	-
Notes payable (including related parties)	196,472	-	-	
Accounts payable (including related parties)	20,464,704	-	-	-
Other payables (including related parties)	12,771,333	-	-	-
Bonds payable	5,000,000	7,800,000	22,800,000	-
Long-term borrowings	8,364,823	36,245,673	22,635,337	5,307,869
Long-term notes payable	-	381,000	-	-

Derivative financial liabilities:

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

December 31, 2012	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Interest rate swaps (net-settled)	$ 61,915	$ -	$ -	$ -
Forward exchange contracts	4,827	-	-	-

January 1, 2012	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Interest rate swaps (net-settled)	$ -	$ 150,838	$ -	$ -
Forward exchange contracts	3,261	-	-	-

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, December 31, 2012 and January 1, 2012:

December 31, 2013	Level 1	Level 2	Level 3	Total
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	114,476,786	2,692,338	-	117,169,124
	$ 114,476,786	$ 2,693,690	$ -	$ 117,170,476
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 704	$ -	$ 704
Interest rate swaps	-	-	-	-
	$ -	$ 704	$ -	$ 704

December 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 17,239	$ -	$ 17,239
Available-for-sale financial assets				
Equity securities	102,169,855	2,528,323	-	104,698,178
	$ 102,169,855	$ 2,545,562	$ -	$ 104,715,417
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 4,827	$ -	$ 4,827
Interest rate swaps	-	61,915	-	61,915
	$ -	$ 66,742	$ -	$ 66,742

January 1, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 13,955	$ -	$ 13,955
Available-for-sale financial assets				
Equity securities	103,976,115	2,656,141	-	106,632,256
	$ 103,976,115	$ 2,670,096	$ -	$ 106,646,211
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 3,261	$ -	$ 3,261
Interest rate swaps	-	150,838	-	150,838
	$ -	$ 154,099	$ -	$ 154,099

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. SEGMENT INFORMATION

(1) General information

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

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

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

3rd Petrochemical Div and Formosa Chemical Industries (Ningbo) Limited Co.: responsible for production of purified terephthalic acid.

Plastics Division, Formosa ABS Plastics (Ningbo) Co., Ltd. and Formosa PS (Ningbo) Co., Ltd.: responsible for production of ABS resin, polypropylene and PS.

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

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

(2) Measurement of segment information

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

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

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

	For the year ended December 31, 2013								
	1st Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div and Formosa Chemical Industries	Plastics Division, Formosa ABS Plastics Co., Ltd. and Formosa PS	Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Other divisions	Reconciliation and offset	Total
External revenue	$ 95,880,238	$ 47,416,716	$ 79,742,033	$ 99,527,722	$ 32,664,788	$ 8,667,155	$ 64,101,282	$ -	$ 427,999,934
Internal revenue	97,557,611	49,541,394	2,040,981	13,181,400	468,927	-	33,070,140	(195,860,453)	-
Total income	$ 193,437,849	$ 96,958,110	$ 81,783,014	$ 112,709,122	$ 33,133,715	$ 8,667,155	$ 97,171,422	($ 195,860,453)	$ 427,999,934
Inter-segment profit (loss)	$ 11,324,566	$ 6,003,249	($ 3,962,164)	$ 610,385	$ 2,430,312	$ 201,030	$ 15,493,150	($ 1,793,701)	$ 30,306,827
Segment income (loss):									
Total depreciation and amortisation	$ 4,383,755	$ 2,181,989	$ 3,472,727	$ 3,080,014	$ 926,942	$ 2,558,095	$ 5,732,189	$ -	$ 22,335,711
Interest expense	$ 472,673	$ 257,547	$ 359,226	$ 513,167	$ 116,070	$ 14,728	$ 942,673	($ 55,318)	$ 2,620,766
Investment income accounted for using equity method									$ 9,116,739
Not included in segments' income measurement, but regularly provided to operating decision-maker:									
Income tax expense									($ 3,628,303)
Total assets of segments	$ 49,537,988	$ 24,630,871	$ 46,290,320	$ 51,293,880	$ 68,415,177	$ 9,359,804	$ 359,847,806	($ 83,685,727)	$ 525,690,119

	For the year ended December 31, 2012								
	1st Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div and Formosa Chemical Industries	Plastics Division, Formosa ABS Plastics Co., Ltd. and Formosa PS	Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Other divisions	Reconciliation and offset	Total
External revenue	$ 59,750,273	$ 38,540,752	$ 89,704,971	$ 71,928,699	$ 33,352,966	$ 10,653,513	$ 87,668,807	$ -	$ 391,599,981
Internal revenue	112,056,619	36,383,706	2,550,165	12,959,959	1,346,347	-	16,551,124	(181,847,920)	-
Total income	$ 171,806,892	$ 74,924,458	$ 92,255,136	$ 84,888,658	$ 34,699,313	$ 10,653,513	$ 104,219,931	($ 181,847,920)	$ 391,599,981
Inter-segment profit (loss)	$ 6,882,868	($ 502,384)	($ 4,743,683)	($ 338,617)	$ 2,577,157	$ 444,391	$ 5,796,087	($ 822,376)	$ 9,293,443
Segment income (loss):									
Total depreciation and amortisation	$ 3,619,734	$ 1,872,749	$ 3,293,047	$ 3,133,308	$ 1,457,406	$ 3,211,622	$ 5,103,528	$ -	$ 21,691,394
Interest expense	$ 506,014	$ 266,107	$ 614,162	$ 738,535	$ 111,138	$ 38,160	$ 612,980	($ 38,088)	$ 2,849,008
Investment income accounted for using equity									$ 2,899,510
Not included in segments' income measurement, but regularly provided to operating decision-maker:									
Income tax expense									($ 790,058)
Total assets of segments	$ 52,247,538	$ 23,479,258	$ 50,203,075	$ 50,512,512	$ 66,229,782	$ 12,427,677	$ 314,940,104	($ 81,119,381)	$ 488,920,565

(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	For the years ended December 31, 2012
Sales revenue	$ 427,095,629	$ 390,748,085
Sales of services	606,141	570,066
Other operating revenue	298,164	281,830
	$ 427,999,934	$ 391,599,981

(6) Geographical information

Geographical information for the years ended December 31, 2013 and 2012 is as follows:

	2013 Revenue	2013 Non-current assets	2012 Revenue	2012 Non-current assets
Taiwan	$ 185,158,597	$ 96,733,350	$ 175,088,645	$ 99,978,793
China	187,098,264	47,506,246	169,322,595	39,046,061
Others	55,743,073	16,625,936	47,188,741	17,887,595
	$ 427,999,934	$ 160,865,532	$ 391,599,981	$ 156,912,449

(7) Major customer information

The information of customers with over 10% of sales revenue in the statement of comprehensive income for the years ended December 31, 2013 and 2012 is as follows:

	2013 Revenue	2013 Segment	2012 Revenue	2012 Segment
Nan Ya	$ 5,795,942	1st Petrochemical Div	$ 6,604,043	1st Petrochemical Div
Nan Ya	16,462,528	2nd Petrochemical Div	16,614,558	2nd Petrochemical Div
Nan Ya	14,505,423	3rd Petrochemical Div	13,742,841	3rd Petrochemical Div
Nan Ya	1,124,090	Plastic	1,299,151	Plastic
Nan Ya	28,552	Formosa	49,879	Formosa
Nan Ya	1,907,004	Others	1,787,630	Others
Su Hua	40,796,617	1st Petrochemical Div	38,424,907	1st Petrochemical Div
Su Hua	1,381,769	Others	1,789,069	Others
	$ 82,001,925		$ 80,312,078	

14. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1)Exemptions elected by the Group

A.Business combinations

The Group has elected not to apply the requirements in IFRS 3, 'Business Combinations', retrospectively to business combinations that occurred prior to the date of transition to IFRSs ("the transition date"). This exemption also applies to the Group's previous acquisitions of investments in associates.

B.Designation of previously recognised financial instruments

The Group has elected to designate investments which were originally measured at cost, as available-for-sale financial assets at the transition date.

C.Employee benefits

The Group has elected to recognise all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

D.Cumulative translation differences

The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

E. Borrowing costs

The Group has elected to apply the transitional provisions in paragraphs 27 and 28 of IAS 23, 'Borrowing Costs', amended in 2007 and apply IAS 23 from the transition date.

(2)Except hedge accounting to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

A.Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that date.

B.Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, 'Financial Instruments: Recognition and Measurement' shall be applied prospectively to transactions occurring on or after January 1, 2004.

C.Non-controlling interest

Requirements of IAS 27 (amended in 2008) that shall be applied prospectively are as follows:

(a)Requirements concerning total comprehensive income (loss) attributed to owners of the parent and non-controlling interest, even which results in a loss to non-controlling interest;

(b)Requirements that change in interest ownership of the parent in a subsidiary while control is retained is accounted for as an equity transaction with the parent; and

(c)Requirements concerning the parent's loss of control over a subsidiary.

(3)Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that entity should make reconciliation for equity, comprehensive income and cash flows for the comparative periods. The Group's initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A.Reconciliation for equity on January 1, 2012:

	R.O.C GAAP	Effect of transition from R.O.C GAAP to IFRSs	IFRSs	Note
Current assets				
Cash and cash equivalents	$ 10,144,697	$ -	$ 10,144,697	
Financial assets at fair value through profit or loss - current	13,955	-	13,955	
Available-for-sale financial assets - current	63,293,245	3,009,126	66,302,371	(a)
Notes receivable (including related parties)	13,610,730	-	13,610,730	
Accounts receivable (including related parties)	25,341,850	-	25,341,850	
Other receivables (including related parties)	19,217,536	-	19,217,536	
Inventories	50,685,277	-	50,685,277	
Deferred income tax assets - current	1,664,434	(1,664,434)	-	(b)
Other current assets	8,487,486	-	8,487,486	
Total current assets	192,459,210	1,344,692	193,803,902	
Non-current assets				
Available-for-sale financial asset- non-current	40,329,885	-	40,329,885	
Financial assets measured at cost – non-current	4,430,033	(1,432,289)	2,997,744	(a)
Investments accounted for under equity method	77,202,910	(454,710)	76,748,200	(c)
Property, plant equipment	155,632,708	680,663	156,313,371	(d)(e)
Deferred pension costs	59,053	(59,053)	-	(f)
Intangible assets	886,348	(886,204)	144	(g)
Deferred income tax assets	1,613,168	2,309,194	3,922,362	(b)(f)
Other non-current assets	7,549,344	205,541	7,754,885	(d)(e)(f)
Total non-current assets	287,703,449	363,142	288,066,591	
Total assets	$ 480,162,659	$ 1,707,834	$ 481,870,493	

	R.O.C GAAP	Effect of transition from R.O.C GAAP to IFRSs	IFRSs	Note
Current liabilities				
Short-term borrowings	$ 27,099,384	$ -	$ 27,099,384	
Short-term notes and bills payable	980,799		980,799	
Financial liabilities at fair value through profit or loss – current	3,261	-	3,261	
Notes payable	196,472		196,472	
Accounts payable (including related parties)	20,464,704	-	20,464,704	
Other payables (including related parties)	12,771,333	-	12,771,333	
Current income tax liabilities	2,547,975	-	2,547,975	
Long-term liabilities – current portion	13,364,823	-	13,364,823	
Other current liabilities	3,257,089	-	3,257,089	
Total current liabilities	80,685,840	-	80,685,840	
Non-current liabilities				
Financial liabilities at fair value through profit or loss – non-current	150,838	-	150,838	
Bonds payable– non-current	30,600,000	-	30,600,000	
Long-term borrowings	64,188,879	-	64,188,879	
Deferred income tax liabilities	-	108,454	108,454	(b)
Other non-current liabilities	8,968,431	2,137,973	11,106,404	(f)
Total non-current liabilities	103,908,148	2,246,427	106,154,575	
Total Liabilities	184,593,988	2,246,427	186,840,415	
Equity attributable to owners of the parent				
Share capital				
Common share	56,904,721	-	56,904,721	
Capital surplus	9,859,303	(1,358,559)	8,500,744	(h)
Retained earnings				
Legal reserve	36,359,812	-	36,359,812	
Special reserve	33,721,775	-	33,721,775	
Unappropriated retained earnings	49,671,396	(520,422)	49,150,974	(c)(f)(h)(i)
Other equity	61,501,641	1,291,832	62,793,473	(a)(f)(i)
Treasury shares	(324,121)	-	(324,121)	
	247,694,527	(587,149)	247,107,378	
Non-controlling interest	47,874,144	48,556	47,922,700	(a)(f)
Total equity	295,568,671	(538,593)	295,030,078	
Total liabilities and equity	$ 480,162,659	$ 1,707,834	$ 481,870,493	

B.Reconciliation for equity on December 31, 2012:

	R.O.C GAAP	Effect of transition from R.O.C GAAP to IFRSs	IFRSs	Note
Current assets				
Cash and cash equivalents	$ 11,562,869	$ -	$ 11,562,869	
Financial assets at fair value through profit or loss - current	17,239		17,239	
Available-for-sale financial assets - current	60,878,054	2,528,323	63,406,377	(a)
Notes receivable (including related parties)	12,284,530	-	12,284,530	
Accounts receivable (including related parties)	30,424,964	-	30,424,964	
Other receivables (including related parties)	23,572,519	-	23,572,519	
Inventories	52,108,364	-	52,108,364	
Deferred income tax assets -current	301,072	(301,072)	-	(b)
Other current assets	10,804,948	-	10,804,948	
Total current assets	201,954,559	2,227,251	204,181,810	
Non-current assets				
Available-for-sale financial asset - non-current	41,291,801	-	41,291,801	
Financial assets measured at cost - non-current	3,822,995	(825,839)	2,997,156	(a)
Investments accounted for under equity method	79,999,669	(346,610)	79,653,059	(c)
Property, plant equipment	144,151,550	580,191	144,731,741	(d)(e)
Deferred pension costs	61,156	(61,156)	-	(f)
Intangible assets	905,405	(899,691)	5,714	(g)
Deferred income tax assets	3,095,483	788,808	3,884,291	(b)(f)
Other non-current assets	11,855,494	319,499	12,174,993	(d)(e)(g)
Total non-current assets	285,183,553	(444,798)	284,738,755	
Total assets	$ 487,138,112	$ 1,782,453	$ 488,920,565	

	R.O.C GAAP	Effect of transition from R.O.C GAAP to IFRSs	IFRSs	Note
Current liabilities				
Short-term borrowings	$ 23,917,173	$ -	$ 23,917,173	
Short-term notes and bills payable	12,898,852	-	12,898,852	
Financial liabilities at fair value through profit or loss - current	66,742	-	66,742	
Notes payable	157,144		157,144	
Accounts payable (including related parties)	28,234,968	-	28,234,968	
Other payables (including related parties)	11,882,222	-	11,882,222	
Current income tax liabilities	352,034		352,034	
Long-term liabilities – current portion	25,809,678	-	25,809,678	
Other current liabilities	2,624,694	-	2,624,694	
Total current liabilities	105,943,507	-	105,943,507	
Non-current liabilities				
Bonds payable	42,800,000	-	42,800,000	
Long-term borrowings	56,045,319	-	56,045,319	
Deferred income tax liabilities	-	2,529	2,529	(b)
Other non-current liabilities	9,149,285	1,813,069	10,962,354	
Total non-current liabilities	107,994,604	1,815,598	109,810,202	(f)
Total Liabilities	213,938,111	1,815,598	215,753,709	
Equity attributable to owners of the parent				
Share capital				
Common share	56,904,721	-	56,904,721	
Capital surplus	9,882,420	(1,358,559)	8,523,861	(h)
Retained earnings				
Legal reserve	39,656,897	-	39,656,897	
Special reserve	39,506,782	-	39,506,782	
Unappropriated retained earnings	24,921,671	(299,515)	24,622,156	(c)(f) (h)(i)
Other equity	57,559,938	1,536,235	59,096,173	(a)(f)(i)
Treasury shares	(339,297)	-	(339,297)	
	228,093,132	(121,839)	227,971,293	
Non-controlling interest	45,106,869	88,694	45,195,563	(a)(f)
Total equity	273,200,001	(33,145)	273,166,856	
Total liabilities and equity	$ 487,138,112	$ 1,782,453	$ 488,920,565	

C.Reconciliation for comprehensive income for the year ended December 31, 2012:

	R.O.C GAAP	Effect of transition from R.O.C GAAP to IFRSs	IFRSs	Note
Operating revenue	$ 391,599,981	$ -	$ 391,599,981	
Operating costs	(376,428,517)	-	(376,428,517)	
Gross profit	15,171,464	-	15,171,464	
Operating expenses				
Selling expenses	(7,318,721)	-	(7,318,721)	
General and administrative expenses	(4,982,255)	300,597	(4,681,658)	(f)
Total operating expenses	(12,300,976)	300,597	(12,000,379)	
Operating profit	2,870,488	300,597	3,171,085	
Non-operating income and expenses				
Other income	6,090,590	-	6,090,590	
Other gains and losses	(18,734)	-	(18,734)	
Finance costs	(2,849,008)	-	(2,849,008)	
Share of profit/(loss) of associates and joint ventures accounted for under equity method	2,892,525	6,985	2,899,510	(c)
Profit before income tax	8,985,861	307,582	9,293,443	
Income tax expense	(738,957)	(51,101)	(790,058)	(f)
Profit for the year	8,246,904	256,481	8,503,385	
Other comprehensive income				
Currency translation difference	-	(2,182,261)	(2,182,261)	
Unrealized gain (loss) on valuation of available-for-sale financial assets	-	(4,167,218)	(4,167,218)	
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method	-	13,067	13,067	
Income tax relating to the components of other comprehensive income	-	264,246	264,246	
Other comprehensive income for the year, net of tax	-	(6,072,166)	(6,072,166)	
Total comprehensive income for the year	$ 8,246,904	($ 5,815,685)	$ 2,431,219	
Net profit for the year attributable to:				
Owners of the parent company	$ 7,094,256	$ 220,907	$ 7,315,163	
Non-controlling interest	1,152,649	35,573	1,188,222	(f)
	$ 8,246,905	$ 256,480	$ 8,503,385	
Total comprehensive income for the year attributable to:				
Owners of the parent company	$ -	$ 3,617,863	$ 3,617,863	
Non-controlling interest	-	(1,186,644)	(1,186,644)	
	$ -	$ 2,431,219	$ 2,431,219	

Reasons for reconciliation are outlined below:

(a)In accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" before amendment on July 7, 2011, unlisted stocks and emerging stocks held by the Group were measured at cost and recognised as 'Financial assets measured at cost'. However, in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability in the range of reasonable fair value estimates is insignificant for that instrument, or the probabilities of the estimates within the range can be reasonably assessed and used in estimating fair value) should be measured at fair value.

(b)In accordance with R.O.C. GAAP, a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting, should be classified as current or noncurrent according to the expected time period to realise or settle a deferred tax asset or liability. However, under IAS 1, 'Presentation of Financial Statements', an entity should not classify a deferred tax asset or liability as current. Deferred income tax assets and liabilities cannot be offset as they do not meet the criteria of offsetting assets and liabilities under IAS 12, 'Income Taxes'. Thus, the Group reclassified deferred income tax assets and liabilities at the transition date.

(c)R.O.C. GAAP does not prescribe that the investor and the associate should use uniform accounting policies in the preparation of financial statements. However, in accordance with IAS 28, 'Investments in Associates', an associate should use uniform accounting policies as those of the investor in the preparation of its financial statements for like transactions and other events in similar circumstances; otherwise, the associate's financial statements should be adjusted to reflect the investor's accounting policies for the purpose of applying the equity method.

(d)Certain land and machinery equipment of the Group not used in operations are presented as 'other assets-other' in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers". However, such equipment should be presented in 'property, plant and equipment' based on its nature under IFRSs.

(e)The Group's prepayments for equipment are presented in 'fixed assets' in accordance with the R.O.C. GAAP. However, such prepayments should be presented in 'other non-current assets-prepayments for equipment' based on its nature under the IFRSs.

(f)The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, 'Employee Benefits', requires an entity to determine the rate used to discount employee benefits with reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead. In accordance with the Group's accounting policies, unrecognised transitional net benefit obligation should be amortised on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, the transitional provisions in IAS 19 are not applied to the Group as the first-time adopter of IFRSs, so the Group has no unrecognised transitional liabilities.

In accordance with R.O.C. GAAP, the excess of the accumulated benefit obligation over the fair value of the pension plan (fund) assets at the balance sheet date is the minimum amount of pension liability that is required to be recognised on the balance sheet ("minimum pension liability"). However, IAS 19, 'Employee Benefits', has no regulation regarding the minimum pension liability.

(g)R.O.C. GAAP specifies that royalties paid on acquisition of land use right shall be presented as 'Other intangible assets'. However, IAS 17, 'Leases', specifies that royalties on land use right, which meets the definition of long-term operating lease, shall be presented as 'Other non-current assets - long-term rental prepayment'.

(h)When an investee company issues new shares and the stockholders do not purchase or acquire new shares proportionately, which results in a change in the investment percentage but not a loss of significant control, the increase or decrease in amount of the net value of the interest invested by the investor company should be used as the adjustment to the paid-in capital and long-term investments at equity under R.O.C. GAAP. However, in accordance with IAS 28, "Investments in Associates", increases in investments in equity should be treated as acquired investments, decreases in equity should be treated as disposal of investments and recognised in disposal gains or losses.

(i)The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date.

D.Major adjustments for the consolidated statements of cash flows for the year ended December 31, 2012:

(a)The transition of R.O.C. GAAP to IFRSs has no effect on the Group's cash flows reported.

(b)The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group's cash flows reported.

pwc 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

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
11012 臺北市信義區基隆路一段333號27樓 / 27F, 333, Keelung Road, Sec. 1, Xinyi Dist., Taipei City 11012, Taiwan
T: +886 (2) 2729 6666, F: + 886 (2) 2757 6371, www.pwc.com/tw

pwc 資誠

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

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 AMOUNT NTD (audited)	%	December 31, 2014 AMOUNT NTD (audited)	%	December 31, 2014 AMOUNT USD (unaudited, Note4)
Current assets						
Cash and cash equivalents	6(1)	$ 11,459,481	2	$ 14,335,920	3	$ 453,668.4
Financial assets at fair value through profit or loss - current	6(2)	1,352	-	654,499	-	20,712.0
Available-for-sale financial assets - current	6(3)	71,852,908	14	85,403,726	16	2,702,649.6
Notes receivable, net	6(4)	12,050,211	2	11,118,245	2	351,843.2
Notes receivable - related parties	7	6,963	-	2,743	-	86.8
Accounts receivable, net	6(5)	21,756,367	4	18,966,457	4	600,204.3
Accounts receivable - related parties	7	9,511,848	2	6,796,500	1	215,079.1
Other receivables	7	7,913,999	2	15,221,828	3	481,703.4
Other receivables - related parties	7	13,300,700	3	18,147,440	4	574,286.1
Inventory	6(6) and 8	53,825,396	10	48,948,094	9	1,548,990.3
Other current assets	7 and 8	12,240,725	2	6,335,961	1	200,505.1
Total current assets		213,919,950	41	225,931,413	43	7,149,728.3
Non-current assets						
Available-for-sale financial assets - non-current	6(3) and 8	45,316,216	9	37,051,836	7	1,172,526.5
Financial assets carried at cost - non-current	6(7)	2,878,666	-	3,513,344	1	111,181.8
Investments accounted for under equity method	6(8) 7 and 8	104,510,758	20	107,084,191	20	3,388,740.2
Property, plant and equipment	6(9) 7 and 8	145,053,156	27	144,975,464	27	4,587,831.1
Intangible assets		7,487	-	5,709	-	180.7
Deferred income tax assets	6(25)	3,155,945	1	2,442,073	-	77,280.8
Other non-current assets	8	10,847,941	2	9,774,533	2	309,320.6
Total non-current assets		311,770,169	59	304,847,150	57	9,647,061.7
Total assets		$ 525,690,119	100	$ 530,778,563	100	$ 16,796,790.0

(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 AMOUNT NTD (audited)	%	December 31, 2014 AMOUNT NTD (audited)	%	AMOUNT USD (unaudited, Note4)
Current liabilities						
Short-term borrowings	6(10)	$ 27,996,683	5	$ 29,187,199	6	$ 923,645.5
Short-term notes and bills payable	6(10)	1,349,848	-	2,349,524	-	74,352.0
Financial liabilities at fair value through profit or loss - current	6(11)	704	-	5,844	-	184.9
Notes payable		172,083	-	205,567	-	6,505.3
Accounts payable		7,161,965	1	6,950,717	1	219,959.4
Accounts payable - related parties	7	24,476,468	5	15,044,168	3	476,081.3
Other payables	6(17)	6,624,633	1	9,264,670	2	293,185.8
Other payables - related parties	7	3,214,692	1	2,815,901	1	89,110.8
Current income tax liabilities	6(25)	2,190,113	1	286,812	-	9,076.3
Long-term liabilities, current portion	6(12)(13)	21,944,368	4	23,389,560	4	740,176.0
Other current liabilities		2,745,414	1	1,765,123	-	55,858.3
Total current liabilities		97,876,971	19	91,265,085	17	2,888,135.6
Non-current liabilities						
Corporate bonds payable	6(12)	50,000,000	10	56,000,000	11	1,772,151.9
Long-term borrowings	6(13)	54,078,987	10	47,985,578	9	1,518,531.0
Deferred income tax liabilities	6(25)	251,529	-	923,110	-	29,212.3
Other non-current liabilities	6(14)	10,774,831	2	10,718,436	2	339,191.0
Total non-current liabilities		115,105,347	22	115,627,124	22	3,659,086.2
Total liabilities		212,982,318	41	206,892,209	39	6,547,221.8
Equity attributable to owners of parent						
Share capital	6(15)					
Common stock		58,611,863	11	58,611,863	11	1,854,805.8
Capital surplus	6(16)					
Capital surplus		8,632,578	2	8,668,561	2	274,321.6
Retained earnings	6(17)					
Legal reserve		40,366,323	8	42,852,687	8	1,356,097.7
Special reserve		39,506,782	7	41,927,550	8	1,326,821.2
Unappropriated retained earnings	6(25)	43,370,427	8	34,340,617	6	1,086,728.4
Other equity interest	6(18)					
Other equity interest		77,161,270	15	91,813,226	17	2,905,481.8
Treasury stocks		(236,522)	-	(332,413)	-	(10,519.4)
Equity attributable to owners of the parent		267,412,721	51	277,882,091	52	8,793,737.1
Non-controlling interest		45,295,080	8	46,004,263	9	1,455,831.1
Total equity		312,707,801	59	323,886,354	61	10,249,568.2
Significant contingent liabilities and unrecognized contract commitments	9					
Significant events after the balance sheet date	11					
Total liabilities and equity		$ 525,690,119	100	$ 530,778,563	100	$ 16,796,790.0

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)

		2013		2014		
		NTD		NTD		USD
Items	Notes	(audited)	%	(audited)	%	(unaudited, Note4)
Operating revenue	6(19) and 7	$ 427,999,934	100	$ 401,453,739	100	$ 12,704,232.3
Operating costs	6(6)(14)(23) (24) and 7	(395,440,460)	(93)	(383,655,665)	(96)	(12,141,002.1)
Net operating margin		32,559,474	7	17,798,074	4	563,230.2
Operating expenses	6(14)(23)(24) and 7					
Selling expenses		(7,858,437)	(2)	(8,468,032)	(2)	(267,975.7)
General and administrative expenses		(5,722,801)	(1)	(5,284,295)	(1)	(167,224.5)
Total operating expenses		(13,581,238)	(3)	(13,752,327)	(3)	(435,200.2)
Operating profit		18,978,236	4	4,045,747	1	128,030.0
Non-operating income and expenses						
Other income	6(20) and 7	2,834,028	1	4,894,649	1	154,893.9
Other gains and losses	6(8)(21)	1,998,590	1	4,806,423	1	152,102.0
Finance costs	6(9)(22) and 7	(2,620,766)	(1)	(2,584,695)	-	(81,794.2)
Share of profit of associates and joint ventures accounted for under equity method	6(8)	9,116,739	2	4,532,308	1	143,427.5
Total non-operating income and expenses		11,328,591	3	11,648,685	3	368,629.2
Profit before income tax		30,306,827	7	15,694,432	4	496,659.2
Income tax expense	6(25)	(3,628,303)	(1)	(1,673,291)	-	(52,952.2)
Profit for the year		$ 26,678,524	6	$ 14,021,141	4	$ 443,707.0

(Continued)

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)

		2013		2014		
		NTD		NTD		USD
Items	Notes	(audited)	%	(audited)	%	(unaudited, Note4)
Other comprehensive income (net)	6(18)(25)					
Financial statements translation differences of foreign operations		$ 2,582,805	-	$ 4,356,765	1	$ 137,872.3
Unrealized gain on valuation of available-for-sale financial assets	6(3)	12,786,383	3	5,170,789	1	163,632.5
Share of other comprehensive income of associates and joint ventures accounted for under equity method		2,552,268	1	3,867,126	1	122,377.4
Income tax relating to the components of other comprehensive income		(310,497)	-	(542,225)	-	(17,159.0)
Total comprehensive income for the year		$ 44,289,483	10	$ 26,873,596	7	$ 850,430.3
Net income attributable to:						
Owners of the parent		$ 24,863,645	6	$ 10,530,288	3	333,237.0
Non-controlling interest		1,814,879	-	3,490,853	1	110,470.0
		$ 26,678,524	6	$ 14,021,141	4	$ 443,707.0
Total comprehensive income attributable to:						
Owners of the parent		$ 42,928,742	10	$ 25,182,244	7	796,906.5
Non-controlling interest		1,360,741	-	1,691,352	-	53,523.8
		$ 44,289,483	10	$ 26,873,596	7	$ 850,430.3

		2013		2014	
		Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share	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)
Net income attributable to common equity holders of the parent		$ 4.65	$ 4.25	$ 1.91	$ 1.80
Pro forma information assuming the investment of the subsidiary, Formosa Taffeta Co., Ltd., and indirectly owned subsidiary are not treated as treasury stock:					
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)
Net income attributable to common equity holders of the parent		$ 4.63	$ 4.24	$ 1.91	$ 1.80

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											
				Retained earnings			Other equity interest						
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain on available-for-sale financial assets	Hedging instrument gain on effective hedge of cash flow hedges	Treasury stocks	Total	Non-controlling interest	Total equity
2013													
Balance at January 1, 2013		$ 56,904,721	$ 8,523,861	$ 39,656,897	$ 39,506,782	$ 24,622,156	($ 1,475,476)	$ 60,584,440	($12,791)	($339,297)	$227,971,293	$ 45,195,563	$ 273,166,856
Appropriations of 2012 earnings	6(17)												
Legal reserve		-	-	709,426	-	(709,426)	-	-	-	-	-	-	-
Stock dividends		1,707,142	-	-	-	(1,707,142)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,698,806)	-	-	-	-	(3,698,806)	-	(3,698,806)
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(1,207,815)	(1,207,815)
Disposal of consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(115,965)	(115,965)
Dividends paid to subsidiaries to adjust capital surplus	6(16)	-	3,757	-	-	-	-	-	-	-	3,757	-	3,757
Stocks of the parent company bought by the subsidiary and recognised as treasury stocks	6(16)	-	21,154	-	-	-	-	-	-	102,775	123,929	-	123,929
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	6(16)	-	3,771	-	-	-	-	-	-	-	3,771	6,312	10,083
Changes in the net interest of associates recognised under the equity method	6(16)	-	80,035	-	-	-	-	-	-	-	80,035	-	80,035
Adjustment in non-controlling interest		-	-	-	-	-	-	-	-	-	-	56,244	56,244
Profit for the year		-	-	-	-	24,863,645	-	-	-	-	24,863,645	1,814,879	26,678,524
Other comprehensive income for the year	6(18)	-	-	-	-	-	2,159,535	15,890,979	14,583	-	18,065,097	(454,138)	17,610,959
Balance at December 31, 2013		$ 58,611,863	$ 8,632,578	$ 40,366,323	$ 39,506,782	$ 43,370,427	$ 684,059	$ 76,475,419	$ 1,792	($236,522)	$267,412,721	$ 45,295,080	$ 312,707,801

(Continued)

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											
				Retained earnings			Other equity interest						
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain on available-for-sale financial assets	Hedging instrument gain on effective hedge of cash flow hedges	Treasury stocks	Total	Non-controlling interest	Total equity
2014													
Balance at January 1, 2014		$ 58,611,863	$ 8,632,578	$ 40,366,323	$ 39,506,782	$ 43,370,427	$ 684,059	$ 76,475,419	$ 1,792	($236,522)	$267,412,721	$ 45,295,080	$ 312,707,801
Appropriations of 2013 earnings	6(17)												
Legal reserve		-	-	2,486,364	-	(2,486,364)	-	-	-	-	-	-	-
Special reserve		-	-	-	2,551,455	(2,551,455)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(14,652,966)	-	-	-	-	(14,652,966)	-	(14,652,966)
Transfer of special reserve to undistributed earnings		-	-	-	(130,687)	130,687	-	-	-	-	-	-	-
Stocks of the parent company purchased by the subsidiary and recognised as treasury stocks	6(15)	-	-	-	-	-	-	-	-	(95,891)	(95,891)	-	(95,891)
Dividends paid to subsidiaries to adjust capital surplus	6(16)	-	11,744	-	-	-	-	-	-	-	11,744	-	11,744
Proceeds from disposal of investments accounted for under equity method	6(16)	-	(432)	-	-	-	-	-	-	-	(432)	-	(432)
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	6(16)	-	5,676	-	-	-	-	-	-	-	5,676	117,818	123,494
Changes in the net interest of associates recognised under the equity method	6(16)	-	18,995	-	-	-	-	-	-	-	18,995	-	18,995
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	(1,115,345)	(1,115,345)
Adjustment in non-controlling interest		-	-	-	-	-	-	-	-	-	-	15,358	15,358
Profit for the year		-	-	-	-	10,530,288	-	-	-	-	10,530,288	3,490,853	14,021,141
Other comprehensive income for the year	6(18)	-	-	-	-	-	3,551,566	11,104,804	(4,414)	-	14,651,956	(1,799,501)	12,852,455
Balance at December 31, 2014		$ 58,611,863	$ 8,668,561	$ 42,852,687	$ 41,927,550	$ 34,340,617	$ 4,235,625	$ 87,580,223	($ 2,622)	($332,413)	$277,882,091	$ 46,004,263	$ 323,886,354

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 NTD (audited)	2014 NTD (audited)	2014 USD (unaudited, Note4)
CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated profit before tax for the year		$ 30,306,827	$ 15,694,432	$ 496,659.3
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	540,594.6
Amortization	6(23)	4,224,724	3,198,337	101,213.2
Bad debts expense	6(5)	8,504	3,865	122.3
Net gain on financial assets and liabilities at fair value through profit or loss	6(2)(11)(21)	(50,151)	(3,785)	(119.7)
Interest expense	6(22)	2,620,766	2,584,695	81,794.1
Interest income	6(20)	(474,907)	(393,860)	(12,463.9)
Dividend income	6(20)	(1,086,634)	(3,052,980)	(96,613.3)
Share of profit or loss of associates accounted for under the equity method		(9,116,739)	(4,532,308)	(143,427.5)
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)	(21,737.9)
Gain on disposal of investments	6(21)	(174,705)	(2,953,517)	(93,465.7)
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)	(20,555.0)
Notes receivable		219,695	931,966	29,492.6
Notes receivable-related parties		7,661	4,220	133.5
Accounts receivable		(649,602)	2,784,185	88,107.1
Accounts receivable-related parties		(238,098)	2,715,348	85,928.7
Other receivables		(3,567,595)	(10,428,047)	(330,001.5)
Inventories		(2,333,811)	4,877,302	154,345.0
Other current assets		(1,438,209)	8,927,878	282,527.8
Other non-current assets		(603,792)	(88,020)	(2,785.4)
Net changes in liabilities relating to operating activities				
Financial liabilities at fair value through profit or loss		-	(239)	(7.6)
Notes payable		14,939	33,484	1,059.6
Accounts payable		1,807,562	78,735	2,491.6
Accounts payable-related parties		1,602,096	(9,432,301)	(298,490.5)
Other payables		946,894	2,371,447	75,045.8
Other current liabilities		(1,560,549)	(980,291)	(31,021.9)
Accrued pension liabilities		(40,093)	(88,521)	(2,801.3)
Cash generated from operations		39,086,319	27,998,359	886,024.0
Interest received		491,306	390,271	12,350.3
Interest paid		(2,673,462)	(2,728,102)	(86,332.3)
Dividend received		3,086,266	10,273,419	325,108.2
Income tax paid		(946,225)	(2,945,660)	(93,217.1)
Net cash provided by operating activities		39,044,204	32,988,287	1,043,933.1

(Continued)

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 NTD (audited)	2014 NTD (audited)	2014 USD (unaudited, Note4)
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase) decrease in other receivables-related parties		$ 5,859,300	($ 4,846,740)	($ 153,377.8)
Acquisition of available-for-sale financial assets		-	(391,332)	(12,383.9)
Proceeds from disposal of available-for-sale financial assets		655,552	528,262	16,717.2
Proceeds from disposal of financial assets measured at cost		37,701	170,062	5,381.7
Acquisition of investments accounted for under the equity method		(14,928,029)	(1,297,031)	(41,045.3)
Change in net cash from disposal of subsidiaries		122,745	-	-
Proceeds from disposal of investments accounted for under equity method		-	3,744,168	118,486.3
Acquisition of property, plant and equipment	6(27)	(13,162,293)	(13,960,361)	(441,783.6)
Proceeds from disposal of property, plant and equipment		315,223	905,761	28,663.3
Acquisition of intangible assets		(24,287)	(92)	(2.9)
Increase in deferred expenses		(5,860,947)	(3,050,448)	(96,533.2)
Increase in prepayment for investment		(800,000)	-	-
Net cash used in investing activities		(27,785,035)	(18,197,751)	(575,878.2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in short-term borrowings		4,079,510	1,190,516	37,674.5
Increase (decrease) in short-term notes and bills payable		(11,549,004)	999,676	31,635.3
Decrease in other payables-related parties		(2,862,903)	(398,791)	(12,620.0)
Increase in corporate bonds payable		15,000,000	16,000,000	506,329.1
Increase in long-term borrowings		39,036,967	30,736,861	972,685.5
Payment of long-term borrowings		(44,540,502)	(38,217,959)	(1,209,429.1)
Payment of corporate bonds payable		(7,800,000)	(7,800,000)	(246,835.4)
(Decrease) increase in other non-current liabilities		(78,905)	11,439	362.0
Decrease in guarantee deposits		58,475	20,687	654.7
Payment of cash dividends	6(27)	(3,585,562)	(14,146,357)	(447,669.5)
Decrease in non-controlling interest		(1,207,815)	(1,115,345)	(35,295.7)
Net cash used in financing activities		(13,449,739)	(12,719,273)	(402,508.6)
Effect of foreign exchange translations		2,087,182	805,176	25,480.3
Increase (decrease) in cash and cash equivalents		(103,388)	2,876,439	91,026.6
Cash and cash equivalents at beginning of year		11,562,869	11,459,481	362,641.8
Cash and cash equivalents at end of year		$ 11,459,481	$ 14,335,920	$ 453,668.4

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
January 1, 2014				
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	$ 525,690,119	$ 9,722	$ 525,699,841	
Accrued pension liabilities	$ 10,452,088	$ 319,061	$ 10,771,149	
Others	202,530,230	-	202,530,230	
Total affected liabilities	212,982,318	319,061	213,301,379	
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	312,707,801	(309,339)	312,398,462	
Total affected liabilities and equity	$ 525,690,119	$ 9,722	$ 525,699,841	

Consolidated balance sheet Affected items	2010 version IFRSs amount	Effect of Transition	2013 version IFRSs amount	Remark
December 31, 2014				
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	$ 530,778,563	$ 40,614	$ 530,819,177	
Accrued pension liabilities	$ 10,363,567	$ 626,867	$ 10,990,434	
Others	196,528,642	-	196,528,642	
Total affected liabilities	206,892,209	626,867	207,519,076	
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	323,886,354	(586,253)	323,300,101	
Total affected liabilities and equity	$ 530,778,563	$ 40,614	$ 530,819,177	

Consolidated statement of comprehensive income Affected items	2010 version IFRSs amount	Effect of Transition	2013 version IFRSs amount	Remark
Year ended December 31, 2014				
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	11,648,685	227	11,648,912	
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	$ 14,021,141	($ 1,921)	$ 14,019,220	
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	8,985,329	-	8,985,329	
Total comprehensive income for the year	$ 26,873,596	($ 192,525)	$ 26,681,071	
Net income attributable to:				
Owners of the parent	$ 10,530,288	($ 1,970)	$ 10,528,318	
Non-controlling interest	3,490,853	49	3,490,902	
Profit for the year	$ 14,021,141	($ 1,921)	$ 14,019,220	

(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 (%) December 31, 2013	Ownership (%) December 31, 2014	Description
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 (%) December 31, 2013	Ownership (%) December 31, 2014	Description
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 Technolog (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 (%) December 31, 2013	Ownership (%) December 31, 2014	Description
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 (%) December 31, 2013	Ownership (%) December 31, 2014	Description
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) <u>Income tax</u>

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.

(29) Convenience translation into us dollars (unaudited)

The Group maintains its accounting records and prepares its financial statements in New Taiwan ("NT") dollars. The United States ("US") dollar amounts disclosed in the financial statements are presented solely for the convenience of the reader and were translated to US dollars at the rate of NT$31.60 (in dollars) :US$1.00 (in dollars), the noon buying rate in effect as of December 31, 2014 in the City of New York for cable transfers in NT dollars per US dollar as certified for customs purposes by the Federal Reserve Bank of New York, as uniformly applied for all the financial statements accounts. Such translation amounts are unaudited and should not be construed as a representations that the NT dollar amounts represent, have been, or could in the future be converted into US dollars at that or any other rate.

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

	December 31, 2013	December 31, 2014
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
	$ 11,459,481	$ 14,335,920

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
	$ 1,352	$ 654,499

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:

	December 31, 2013		December 31, 2014	
Derivative Instruments	Contract Amount (Notional Principal) (in thousands)	Contract Period	Contract Amount (Notional Principal) (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)
	$ 71,852,908	$ 85,403,726
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)
	$ 45,316,216	$ 37,051,836

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)
	$ 12,050,211	$ 11,118,245

(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)
	$ 21,756,367	$ 18,966,457

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
	$ 571,874	$ 248,376

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	$ 145,395	$ 150,192	$ 295,587

	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	$ 156,022	$ 145,290	$ 301,312

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
	$ 54,466,516	($ 641,120)	$ 53,825,396

	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
	$ 51,139,922	($ 2,191,828)	$ 48,948,094

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
	$ 395,440,460	$ 383,655,665

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	-	-
	$ 2,878,666	$ 3,513,344

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

	December 31, 2013	December 31, 2014
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 Resourse 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
	$ 104,510,758	$ 107,084,191

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:

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
December 31, 2013					
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	26,403,131	5,691,406	11,347,549	756,680	-
	$ 714,960,345	$ 289,773,621	$ 986,943,191	$ 35,984,490	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
December 31, 2014					
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	85,502,900	57,959,572	12,643,676	901,089	-
	$ 887,563,643	$ 443,120,431	$ 970,295,545	$ 16,094,834	

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

	December 31, 2013	December 31, 2014
Formosa Petrochemical Corp.	$ 194,005,616	$ 159,576,346

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
At January 1, 2013						
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)
	$ 8,606,104	$ 24,982,769	$ 94,478,158	$ 3,677,191	$ 12,987,519	$ 144,731,741
2013						
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	$ 8,567,168	$ 24,123,698	$ 90,810,146	$ 2,886,301	$ 18,665,843	$ 145,053,156
At December 31, 2013						
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)
	$ 8,567,168	$ 24,123,698	$ 90,810,146	$ 2,886,301	$ 18,665,843	$ 145,053,156

	Land and land improvements	Buildings	Machinery and equipment	Transportation and equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2014						
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)
	$ 8,567,168	$ 24,123,698	$ 90,810,146	$ 2,886,301	$ 18,665,843	$ 145,053,156
2014						
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	$ 8,628,272	$ 23,524,221	$ 83,550,536	$ 2,424,773	$ 26,847,662	$ 144,975,464
At December 31, 2014						
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)
	$ 8,628,272	$ 23,524,221	$ 83,550,536	$ 2,424,773	$ 26,847,662	$ 144,975,464

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 profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
Impairment loss－Buildings	$ 72,359	$ -	$ -	$ -
Impairment loss－machinery	691,398	-	-	-
	$ 763,757	$ -	$ -	$ -

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

	For the years ended December 31,			
	2013		2014	
	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other 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	$ 27,996,683		
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	$ 1,349,848		

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	$ 29,187,199		
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	$ 2,349,524		

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

Items	December 31, 2013	December 31, 2014
Current items:		
Non-hedging derivatives	$ 704	$ 5,844

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 Contract Amount (Notional Principal) (In thousand dollars)	December 31, 2013 Contract Period	December 31, 2014 Contract Amount (Notional Principal) (In thousand dollars)	December 31, 2014 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)
	$ 50,000,000	$ 56,000,000

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

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2013	December 31, 2014	Note
2009							
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%
2010							
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%
2011							
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%

Description	Issuance date	Maturity date	Yield rate (%)	Issued principal amount	December 31, 2013	December 31, 2014	Note
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
2013							
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%
2014							
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)	
					$ 50,000,000	$ 56,000,000	

(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
				68,223,355
Less: Current portion of long-term bank loans				(14,017,368)
Current portion of long-term notes payable				(127,000)
				$ 54,078,987

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)
				$ 47,985,578

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:

	December 31, 2013	December 31, 2014
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	$ 10,452,088	$ 10,363,567

(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	$ 11,079,365	$ 11,180,064

(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	$ 420,777	$ 298,305

(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	$ 340,884	$ 357,002

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
	$ 340,884	$ 357,002

(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	$ 10,645,016	$ 10,658,588	$ 10,881,759
Experience adjustments on plan liabilities	($ 149,231)	($ 53,025)	($ 315,252)
Experience adjustments on plan assets	($ 3,604)	($ 1,465)	($ 3,402)

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:

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

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

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	$2,710,554	$5,514,032	$ 119,962	$ 80,035	$ 3,771	$204,224

	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	$2,710,554	$5,514,032	$ 131,706	$ 98,598	$ 9,447	$204,224

(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		2013	
	Amount	Dividends per share (in dollars)	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	-	-
	$ 6,115,374		$ 19,690,785	

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
	$ 8,086,453	

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

(18) Other equity items

	Hedging reserve	Available-for-sale investment	Currency translation	Total
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	$ 1,792	$ 76,475,419	$ 684,059	$ 77,161,270

	Hedging reserve	Available-for-sale investment	Currency translation	Total
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	($ 2,622)	$ 87,580,223	$ 4,235,625	$ 91,813,226

(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
	$ 427,999,934	$ 401,453,739

(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
	$ 2,834,028	$ 4,894,649

(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)
	$ 1,998,590	$ 4,806,423

(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			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	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
	3,884,291	(569,206)	(159,140)	3,155,945
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 methed	-	(51,263)	-	(51,263)
Unrealized exchange gain	(421)	(48,258)	-	(48,679)
	(2,529)	(97,643)	(151,357)	(251,529)
	$ 3,881,762	($ 666,849)	($ 310,497)	$ 2,904,416

	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
	3,155,945	(713,872)	-	2,442,073
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 methed	(51,263)	(31,919)	-	(83,182)
Unrealized exchange gain	(48,679)	(96,875)	-	(145,554)
	(251,529)	(129,356)	(542,225)	(923,110)
	$ 2,904,416	($ 843,228)	($ 542,225)	$ 1,518,963

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
	$ 1,148,024	$ 203,652	

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
	$ 524,009	$ 427,771	

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
		$ 3,642,720	$ 3,530,239	

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	$ 4,967,338	$ -

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

	Income tax assessment
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:

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

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

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

(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:

	For the year ended December 31, 2013				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
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	$ 27,149,782	$ 24,863,645	5,844,603	$ 4.65	$ 4.25

	For the year ended December 31, 2014				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
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	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
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	$ 27,149,782	$ 24,863,645	5,861,186	$ 4.63	$ 4.24

	For the year ended December 31, 2014				
	Amount		Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)	
	Before tax	After tax	(shares in thousands)	Before tax	After tax
Basic earnings per share					
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	$ 11,174,301	$ 10,530,288	5,861,186	$ 1.91	$ 1.80

(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	$ 13,162,293	$ 13,960,361

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	$ 122,745	$ -

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	$ 3,585,562	$ 14,146,357

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
	$ 96,247,045	$ 86,989,316

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	23,806,583	28,240,292
	$ 239,395,800	$ 223,493,408

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	4,990,766	4,698,943
	9,518,811	6,796,500
Other receivables - related parties		
— Associates	2,116,957	9,046,000
	$ 11,635,768	$ 15,842,500

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	2,375,079	3,745,180
	$ 24,476,468	$ 15,044,168

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
	$ 259,487	$ 180,011

(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
	$ 10,309	$ 7,769

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 blance

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

(2)Interest income

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

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

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

(2)Interest expense

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

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

	December 31, 2013	December 31, 2014
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

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

I.Rental revenue

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

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	-	-
	$ -	$ 87,139

(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	-
	$ 18,828	$ -	$ 1,750	$ -

(c) Acquisition of financial investment

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

	Items	Number of shares (in share)	Name of the securities	2014 Acquistion cost
— 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				-
				$ 21,711,958

(d) Disposal of financial investment

	Items	Number of shares (in share)	Name of the securities	Proceeds	2013 Gain on disposal
— Associates	Investments accounted for using equity method	12,600,000	Formosa Energy & Material Technology Corp.	$ 126,000	$ 48,526
— Other related parties	〃			-	-
				$ 126,000	$ 48,526

	Items	Number of shares (in shares)	Name of the securities	Proceeds	2014 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
				$ 21,739,327	$ 921,392

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
	$ 132,303	$ 140,319

8. PLEDGED ASSETS

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

	Book value		
Pledged assets	December 31, 2013	December 31, 2014	Purpose
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 tranferred for land tax reassessment and for bank loans
Other noncurrent assets	14,737	-	Performance guarantee
	$ 22,303,577	$ 21,496,703	

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 Resourse 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 reguirements 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 reguirements 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 Amount (In Thousands)	Exchange Rate		Book Value (NTD) (in thousands)
Financial assets				
Monetary items				
USD：NTD	$ 551,782	29.95	$	16,525,871
JPY：NTD	675,363	0.28		192,208
Non-monetary items				
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
Financial liabilities				
Monetary items				
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 Amount (In Thousands)	Exchange Rate		Book Value (NTD) (in thousands)
Financial assets				
Monetary items				
USD：NTD	$ 858,359	31.72	$	27,225,431
JPY：NTD	302,008	0.27		80,032
Non-monetary items				
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
Financial liabilities				
Monetary items				
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
Financial assets			
Monetary items			
USD：NTD	1%	$ 165,259	$ -
JPY：NTD	1%	1,922	-
Financial liabilities			
Monetary items			
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
Financial assets			
Monetary items			
USD：NTD	1%	$ 272,254	$ -
JPY ：NTD	1%	800	-
Financial liabilities			
Monetary items			
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:

December 31, 2013	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
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	-	-	-

December 31, 2014	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
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:

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

December 31, 2014	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
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:

December 31, 2013	Level 1	Level 2	Level 3	Total
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	114,476,786	2,692,338	-	117,169,124
	$ 114,476,786	$ 2,693,690	$ -	$ 117,170,476
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 704	$ -	$ 704

December 31, 2014	Level 1	Level 2	Level 3	Total
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	119,530,580	2,924,982	-	122,455,562
	$ 119,530,580	$ 3,579,481	$ -	$ 123,110,061
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 5,844	$ -	$ 5,844

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 dirctor 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:

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
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			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
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			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
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.

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	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	Others
Formosa Taffeta (Zhong Shan) Co., Ltd.	$ 40,038	0.12	$ -	-	$ 4,980	0.19	$ 2,532,000	For short-tem loans from financial institutions	$ -	$ -	-	$ -	-
Formosa Taffeta (Changshu) Co., Ltd.	105,206	0.32	-	-	16,664	0.62	2,985,490	For short-tem 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 Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div	Plastics Division	Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Other divisions	Reconciliation and offset	Total
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	$ 193,437,849	$ 96,958,110	$ 87,515,542	$ 125,181,932	$ 33,133,715	$ 8,667,155	$ 78,966,084	($ 195,860,453)	$ 427,999,934
Inter-segment profit (loss)	$ 11,324,566	$ 6,003,249	($ 4,261,097)	$ 351,637	$ 2,430,312	$ 201,030	$ 16,050,831	($ 1,793,701)	$ 30,306,827
Segment income (loss) includes:									
Total depreciation and amortisation	$ 4,383,755	$ 2,181,989	$ 3,963,437	$ 3,080,014	$ 926,942	$ 2,558,095	$ 5,241,479	$ -	$ 22,335,711
Interest expense	$ 472,673	$ 257,547	$ 384,845	$ 518,279	$ 116,070	$ 14,728	$ 911,942	($ 55,318)	$ 2,620,766
Investment income accounted for under equity method									$ 9,116,739
Not included in segments' income measurement, but regularly provided to operating decision-maker:									
Income tax expense									($ 3,628,303)
Total assets of segments	$ 49,537,988	$ 24,630,871	$ 51,754,202	$ 53,122,941	$ 68,415,177	$ 9,359,804	$ 352,553,930	($ 83,685,727)	$ 525,689,186

	For the year ended December 31, 2014								
	1st Petrochemical Div	2nd Petrochemical Div	3rd Petrochemical Div	Plastics Division	Formosa Taffeta Co., Ltd.	Formosa Advanced Technologies Co., Ltd.	Other divisions	Reconciliation and offset	Total
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	$ 171,186,529	$ 89,046,359	$ 75,018,975	$ 122,373,890	$ 32,842,284	$ 9,204,384	$ 78,516,248	($ 176,734,930)	$ 401,453,739
Inter-segment profit (loss)	($ 583,739)	$ 1,536,827	($ 5,044,924)	$ 1,008,141	$ 3,574,795	$ 1,071,404	$ 13,603,043	$ 528,885	$ 15,694,432
Segment income (loss) includes:									
Total depreciation and amortisation	$ 3,963,774	$ 2,110,514	$ 3,726,184	$ 2,701,473	$ 874,998	$ 1,962,718	$ 4,941,464	$ -	$ 20,281,125
Interest expense	$ 455,508	$ 255,946	$ 331,798	$ 549,359	$ 136,054	$ 1	$ 908,253	($ 52,224)	$ 2,584,695
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	$ 38,200,572	$ 21,213,401	$ 43,453,583	$ 52,252,504	$ 66,564,045	$ 10,529,167	$ 377,978,758	($ 79,413,467)	$ 530,778,563

(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
	$ 427,999,934	$ 401,453,739

(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
	$ 427,999,934	$ 160,865,532	$ 401,453,739	$ 154,755,706

(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
	$ 82,001,925		$ 72,766,428	

EY 安永
Building a better working world

安永聯合會計師事務所
11012 台北市基隆路一段333號9樓
9F, No. 333, Sec. 1, Keelung Road
Taipei City, Taiwan, R.O.C.

Tel: 886 2 2757 8888
Fax: 886 2 2757 6050
www.ey.com/tw

English Translation of a Report Originally Issued in Chinese

Report of Independent Auditors

Independent Auditors' Report

To the Board of Directors and Stockholders of
Formosa Petrochemical Corporation

We have audited the accompanying consolidated balance sheets of Formosa Petrochemical Corporation and subsidiaries (the "Group") as of December 31, 2013, December 31, 2012, and January 1 2012, and the related consolidated statements of comprehensive income, the related consolidated statements of changes in equity, and cash flows for the period from January 1, 2013 to December 31, 2013, period from January 1, 2012 to December 31, 2012. The preparation of these consolidated financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion report on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Formosa Petrochemical Corporation and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the consolidated results of their operations and their cash flows for the years ended December 31, 2013 and 2012, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

A member firm of Ernst & Young Global Limited

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Petrochemical Corporation as of and for the years ended December 31, 2013 and 2012.

Ernst & Young

Ernst & Young
March 20, 2014
Taipei, Taiwan
Republic of China

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two, the Chinese version of auditors' report and financial statements shall prevail.

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEETS

December 31, 2013, December 31, 2012 and January 1, 2012

(Expressed in Thousands of Dollars)

ASSETS	Notes	December 31, 2013 NTD	December 31, 2012 NTD	January 1, 2012 NTD
CURRENT ASSETS				
Cash and cash equivalents	4 & 6.1	$16,651,735	$21,133,367	$32,433,110
Financial assets at fair value through profit or loss- current	4 & 6.3 & 12	882,620	-	-
Available-for-sale financial assets- current	4 & 6.2 & 12	22,906,609	20,065,814	20,590,075
Derivative financial assets for hedging- current	4 & 6.4 & 12	8,671	-	24,012
Notes receivable, net	4 & 6.5	613	4,169	161,721
Notes receivable from related parties, net	4 & 6.5 & 7	-	2,523,618	2,483,013
Accounts receivable, net	4 & 6.5	40,776,049	37,447,580	31,943,613
Accounts receivable from related parties, net	4 & 6.5 & 7	44,176,717	39,283,251	29,999,355
Other receivables(including from related parties)	7	19,941,266	26,660,948	7,469,887
Current tax assets	4 & 6.21	-	24,717	1,743
Inventories	4 & 6.6	80,379,415	75,996,774	96,533,796
Prepayments		20,768,226	15,633,999	12,194,580
Other current assets	8	5,991,084	4,672,828	5,022,085
Total current assets		252,483,005	243,447,065	238,856,990
NON CURRENT ASSETS				
Available-for-sale financial assets- non-current	4 & 6.7 & 12	13,993,274	8,723,986	5,269,953
Financial Assets at cost-non-current	4 & 6.8	1,445,787	1,445,787	1,445,787
Investments accounted for using equity method	4 & 6.9	35,990,643	22,326,934	16,884,715
Property, plant and equipment	4 & 6.10 & 7 & 8	159,580,627	171,708,385	180,768,869
Natural resource	4	243,374	333,316	308,746
Investments property	4 & 6.11 & 7	291,134	292,473	312,133
Deferred income tax assets- non-current	4 & 6.21	6,159,562	7,269,987	6,841,304
Other non-current assets	4 & 6.11 & 8	12,039,501	11,860,235	11,681,117
Total non-current assets		229,743,902	223,961,103	223,512,624
TOTAL ASSETS		$482,226,907	$467,408,168	$462,369,614

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

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEETS

December 31, 2013, December 31, 2012 and January 1, 2012

(Expressed in Thousands of Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2013 NTD	December 31, 2012 NTD	January 1, 2012 NTD
CURRENT LIABILITIES				
Short-term loans	6.12	$28,906,373	$25,184,590	$21,084,689
Short-term notes and bills payable	6.12	3,300,000	13,000,000	10,100,000
Financial liabilities at fair value through profit or loss- current	4 & 6.3 & 12	-	210,191	-
Derivative financial liabilities for hedging- current	4 & 6.4 & 12	-	138,243	-
Notes payable		19,597	32,690	32,435
Accounts payable		6,868,825	9,992,230	15,673,212
Accounts payable to related parties	7	5,918,496	5,292,533	3,033,811
Other payable	7	9,931,558	9,957,251	10,396,444
Other payable to related parties	7	227,737	1,481,872	13,750,078
Current tax liabilities	4 & 6.21	2,928,527	2,245	860,569
Current portion of long-term debts	6.14	55,708,298	32,474,694	20,016,252
Other current liabilities	7 & 9	2,815,518	468,676	481,709
Total current liabilities		116,624,929	98,235,215	95,429,199
NONCURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss- non-current	4 & 6.3 & 12	-	420,272	12,331
Derivative financial liabilities for hedging- non-current	4 & 6.4 & 12	-	-	339,112
Bonds payable	6.13	68,000,000	66,000,000	63,000,000
Long-term loans	6.14	49,667,325	88,538,002	76,556,023
Deferred tax liabilities	4 & 6.21	370,168	308,160	121,983
Other non-current liabilities		1,392,699	1,835,047	1,479,409
Lease obligations payable- non-current	7 & 9	2,616,767	2,654,796	-
Accrued pension liability	4 & 6.15	3,183,232	3,126,928	3,061,637
Total non-current liabilities		125,230,191	162,883,205	144,570,495
TOTAL LIABILITIES		241,855,120	261,118,420	239,999,694
EQUITY ATTRIBUTE TO SHAREHOLDERS OF THE PARENT				
Capital stock				
Common stock	4 & 6.16	95,259,597	95,259,597	95,259,597
Capital surplus		31,327,378	31,243,284	31,243,284
Retained earnings				
Legal reserve		38,585,641	38,313,746	36,063,874
Special reserve		3,033,784	3,033,784	3,033,784
Unappropriated earnings		52,307,013	28,197,395	46,783,461
Total retained earnings		93,926,438	69,544,925	85,881,119
Total equity attribute to shareholders of the parent		19,827,788	10,210,480	9,947,784
Others noncontrolling interest	6.16	30,586	31,462	38,136
TOTAL EQUITY		240,371,787	206,289,748	222,369,920
TOTAL LIABILITIES AND EQUITY		$482,226,907	$467,408,168	$462,369,614

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

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM January 1, 2013 TO December 31, 2013

AND FOR THE PERIOD FROM January 1, 2012 TO December 31, 2012

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

	Notes	For the period from January 1 to December 31, 2013 NTD	For the period from January 1 to December 31, 2012 NTD
OPERATING REVENUES	4 & 6.17 & 7	$931,333,890	$894,377,721
OPERATING COSTS	4 & 6.18 & 7	898,078,442	885,211,930
GROSS PROFIT		33,255,448	9,165,791
OPERATING EXPENSES	4 & 6.18 & 7		
Selling and marketing		5,568,457	5,681,789
General and administrative		4,077,306	4,157,258
Research and development		156,453	157,391
Total operating expenses		9,802,216	9,996,438
OPERATING INCOME (LOSS)		23,453,232	(830,647)
NON-OPERATING INCOME AND EXPENSES			
Other income	6.19	3,900,657	4,790,814
Other gains and losses	6.19	4,851,896	27,714
Financial costs	6.19	(3,324,671)	(3,468,634)
Share of profits of associates and joint venture	4 & 6.9	2,134,760	1,921,597
Total non-operating income and expenses		7,562,642	3,271,491
INCOME BEFOREINCOME BEFORE TAX		31,015,874	2,440,844
INCOME TAX EXPENSE (BENEFIT)	4 & 6.21	4,156,573	(277,254)
NET INCOME		26,859,301	2,718,098
OTHER COMPREHENSIVE INCOME	6.20		
Exchange differences arising on translation of foreign operations		16,191	(23,563)
Unrealized gains or losses on available-for-sale financial assets		9,193,855	346,487
Cash flow hedge		70,560	176,857
Share of other comprehensive income of associates and joint venture		348,739	(206,968)
Income tax benefit (expense) related to components of other comprehensive income		(11,995)	(30,067)
Other comprehensive income for the period, net of income tax		9,617,350	262,746
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		$36,476,651	$2,980,844
NET INCOME ATTRIBUTABLE TO:			
Shareholders of the parent		$26,858,263	$2,715,725
Noncontrolling interests		1,038	2,373
		$26,859,301	$2,718,098
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the parent		$36,475,571	$2,978,421
Noncontrolling interests		1,080	2,423
		$36,476,651	$2,980,844
EARNINGS PER SHARE			
Basic earnings per share			
Countinuing Operating Income Before Tax	4 & 6.22	$3.26	$0.26
Net Income		$2.82	$0.29

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

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM January 1, 2013 TO December 31, 2013

AND FOR THE PERIOD FROM January 1, 2012 TO December 31, 2012

(Expressed in Thousands of Dollars)

	Equity Attributable to Shareholders of the Parent										
			Retained Earnings			Others					
New Taiwan Dollars	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized gain or loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total	Noncontrolling Interest	Total Equity
Balance as of January 1, 2012	$95,259,597	$31,243,284	$36,063,874	$3,033,784	$46,783,461	$-	$10,145,943	$(198,159)	$222,331,784	$38,136	$222,369,920
Appropriation of 2011 earnings:											
Legal reserve	-	-	2,249,872	-	(2,249,872)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(19,051,919)	-	-	-	(19,051,919)	(9,097)	(19,061,016)
Net income for the period from January 1 to December 31, 2012	-	-	-	-	2,715,725	-	-	-	2,715,725	2,373	2,718,098
Other comprehensive income for the period from January 1 to December 31, 2012	-	-	-	-	-	(217,464)	333,370	146,790	262,696	50	262,746
Total comprehensive income	-	-	-	-	2,715,725	(217,464)	333,370	146,790	2,978,421	2,423	2,980,844
Balance as of December 31, 2012	$95,259,597	$31,243,284	$38,313,746	$3,033,784	$28,197,395	$(217,464)	$10,479,313	$(51,369)	$206,258,286	$31,462	$206,289,748
Balance as of January 1, 2013	$95,259,597	$31,243,284	$38,313,746	$3,033,784	$28,197,395	$(217,464)	$10,479,313	$(51,369)	$206,258,286	$31,462	$206,289,748
Appropriation of 2012 earnings:											
Legal reserve	-	-	271,895	-	(271,895)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,476,750)	-	-	-	(2,476,750)	(1,956)	(2,478,706)
Changes in other capital reserves:											
Joint venture and associates change in equity under equity method	-	84,094	-	-	-	-	-	-	84,094	-	84,094
Net income for the period from January 1 to December 31, 2013	-	-	-	-	26,858,263	-	-	-	26,858,263	1,038	26,859,301
Other comprehensive income for the period from January 1 to December 31, 2013	-	-	-	-	-	182,054	9,376,689	58,565	9,617,308	42	9,617,350
Total comprehensive income	-	-	-	-	26,858,263	182,054	9,376,689	58,565	36,475,571	1,080	36,476,651
Balance as of December 31, 2013	$95,259,597	$31,327,378	$38,585,641	$3,033,784	$52,307,013	$(35,410)	$19,856,002	$7,196	$240,341,201	$30,586	$240,371,787

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

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM January 1, 2013 TO December 31, 2013

AND FOR THE PERIOD FROM January 1, 2012 TO December 31, 2012

(Expressed in Thousands of Dollars)

	For the period from January 1 to December 31, 2013	For the period from January 1 to December 31, 2012
	NTD	NTD
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	$31,015,874	$2,440,844
Adjustments:		
Income and adjustment items :		
Depreciation and Depletion	22,095,153	23,759,685
Amortization	3,348,633	3,181,305
Interest expense	3,324,671	3,468,634
Share of profits of associates and joint venture	(2,134,760)	(1,921,597)
Net loss (gain) of financial liabilities at fair value through profit or loss	(1,303,812)	949,457
(Gain) loss on disposal and abandoned of property, plant and equipment	43,634	9,688
Impairment loss of financial instrument	21,637	-
Impairment loss of non-financial instrument	18,248	19,660
Interest income	(467,236)	(251,573)
Dividends income	(288,415)	-
Changes in operating assets and liabilities:		
Net changes in financial assets/ liabilities at fair value through profit or loss	(209,270)	(331,325)
Decrease (Increase) in notes receivable (including related parties)	2,527,174	116,947
Decrease (Increase) in accounts receivable (including related parties)	(8,221,935)	(14,787,863)
Decrease (Increase) in other receivables (including related parties)	(211,521)	(1,714,975)
Decrease (Increase) in inventories	(4,382,641)	20,537,022
Decrease (Increase) in prepayments	(5,137,591)	(3,441,192)
Decrease (Increase) in other current assets	(275,301)	46,807
Increase (Decrease) in notes payable	(13,093)	255
Increase (Decrease) in accounts payable (including related parties)	(2,497,442)	(3,422,260)
Increase (Decrease) in accrued expenses	(196,107)	(47,776)
Increase (Decrease) in other current liabilities	2,346,842	(13,033)
Increase (Decrease) in accrued pension cost	56,304	65,291
Cash from operating activities	39,459,046	28,664,001
Income taxes paid	(45,136)	(867,938)
Net cash provided by operating activities	39,413,910	27,796,063

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

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM January 1, 2013 TO December 31, 2013

AND FOR THE PERIOD FROM January 1, 2012 TO December 31, 2012

(Expressed in Thousands of Dollars)

	For the period from January 1 to December 31, 2013	For the period from January 1 to December 31, 2012
	NTD	NTD
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in other receivables- due from affiliates	$ -	$(17,465,924)
Decrease in other receivables- due from affiliates	6,948,479	-
Acquisition of available-for-sale financial assets	-	(2,250,000)
Acquisition of long-term equity investments	(12,751,476)	(4,338,797)
Decrease (Increase) in other financial assets	1,010	(23,500)
Acquisition of property, plant and equipment:		
Cost paid	(9,771,715)	(14,684,219)
Interest paid	(76,070)	(28,370)
Interest paid		
Acquisition of natural resources	-	(121,306)
Proceeds form disposal of property, plant and equipment	316	8,734
Decrease (Increase) in other non-current assets	(3,485,673)	(3,367,758)
Interests received	449,960	232,732
Dividends received	1,922,896	610,504
Net cash provided by (used in) financing activities	(16,762,273)	(41,427,904)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	3,721,783	4,099,901
Increase (decrease) in short-term notes and bills payable	(9,700,000)	2,900,000
Derecognise derivative financial assets for hedging	(76,354)	-
Increase (decrease) in other payable-due to affiliates	(1,000,000)	(12,700,800)
Increase (decrease) in other non-current assets	(442,348)	355,638
Proceeds from issuance of bonds	20,000,000	18,000,000
Repayment of bonds	(15,000,000)	(9,000,000)
Increase in long-term bank loans	21,487,568	36,628,696
Decrease in long-term bank loans	(40,231,195)	(15,513,226)
Interest paid	(3,403,237)	(3,432,522)
Refundment (payment) of cash dividends	(2,477,118)	(19,052,084)
Decrease in noncontrolling interests	(1,956)	(9,097)
Net cash provided by (used in) financing activities	(27,122,857)	2,276,506
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(10,412)	55,592
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,481,632)	(11,299,743)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	21,133,367	32,433,110
CASH AND CASH EQUIVALENTS, END OF PERIOD	$16,651,735	$21,133,367

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

Formosa Petrochemical Corporation
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012
(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. HISTORY AND ORGANIZATION

Formosa Petrochemical Corporation (the "Company") had prepared for incorporation since March 1992, and was incorporated on April 6, 1992.The Company is located in the No.6 Naphtha Cracker Complex in Mailiao of Yunlin County. The major shareholders of the Company are Formosa Plastics Corporation, Nan Ya Plastics Corporation and Formosa Chemicals & Fiber Corporation with equity interests of 29.31%, 23.84% and 24.90%, respectively, as of December 31, 2013. The principal activities of the Company include operation of petroleum refining and integrated manufacture of hydrocarbon.

The Company's shares were approved to be listed on the Taiwan Stock Exchange on November 12, 2003 and were traded publicly starting from December 26, 2003.

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2013 and 2012 were authorized for issue in accordance with a resolution of the Company's board of directors on March 20, 2014.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Standards or interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission ("FSC"), but not yet adopted by the Group at the date of issuance of the Group's financial statements are listed below.

<u>IFRS 9 *Financial Instruments*</u>

IFRS 9 *Financial Instruments* which is divided in three distinct phases is designed by the International Accounting Standards Board ("IASB") to eventually replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The first phase relates to the classification and measurement of financial assets and liabilities that must be applied for annual periods beginning on or after January 1, 2015. The IASB will work on the remaining phases relate to impairment methodology and hedge accounting. However companies adopting International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC (collectively referred to as "TIFRS") may not early adopt IFRS 9. FSC will announce the local effective date for IFRS 9 in the future. Adopting the first phase of IFRS 9 will have an impact on the classification and measurement of financial assets. The impact of adopting the remaining two phases of IFRS 9 on the Group could not be determined at this stage.

(2) Standards or Interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below.

A. *Improvements to International Financial Reporting Standards (issued in 2010):*

IFRS 1 "First-time Adoption of International Financial Reporting Standards"
The annual improvements to International Financial Reporting Standards ("IFRS") issued in 2010 made the following amendments to IFRS 1: If a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS in accordance with paragraph 23 of IFRS 1.

Furthermore, the amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. The amendment also expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities. The exemption will be applied on an item-by-item basis. All such assets will also need to be tested for impairment at the date of transition. The amendment allows entities with rate-regulated activities to use the carrying amount of their property, plant and equipment and intangible balances from their previous GAAP as its deemed cost upon transition to IFRS. These amendments became effective for annual periods beginning on or after January 1, 2011.

IFRS 3 "Business Combinations"
Under the amendment, IFRS 3 (as revised in 2008) do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Furthermore, the amendment limits the scope of the measurement choices for non-controlling interest. Only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation could be measured at either fair value or at the present ownership instruments 'proportionate share of the acquirer's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value. The amendment also requires an entity in a business combination to account for the replacement of the acquirer's share-based payment transactions (when the acquirer is not obliged to do so) as new share-based payment awards in the post-combination financial statements. Outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions: if vested — they are part of non-controlling interest; if unvested — they are measured at market based value as if granted at acquisition date, and allocated between NCI and post-combination expense. These amendments became effective for annual periods beginning on or after July 1, 2010.

IFRS 7 "Financial Instruments: Disclosures"
The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment became effective for annual periods beginning on or after January 1, 2011.

IAS 1 "Presentation of Financial Statements"
The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment became effective for annual periods beginning on or after January 1, 2011.

IAS 34 "Interim Financial Reporting"
The amendment clarifies that if a user of an entity's interim financial report have access to the most recent annual financial report of that entity, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. Furthermore the amendment adds disclosure requirements around disclosures of financial instruments and contingent liabilities/assets. The amendment is effective for annual periods beginning on or after January 1, 2011.

IFRIC 13 "Customer Loyalty Programs"
The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is effective for annual periods beginning on or after January 1, 2011.

B. *IFRS 1 "First-time Adoption of International Financial Reporting Standards" — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IFRS 1 has been amended to allow first-time adopters to utilize the transitional provisions of IFRS 7 *Financial Instruments: Disclosures*. These provisions give relief from providing comparative information in the disclosures required by amendments to IFRS 1 in the first year of application. The amendment is effective for annual periods beginning on or after July 1, 2010.

C. *IFRS 1 "First-time Adoption of International Financial Reporting Standards" — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
The amendment has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The amendment also removes the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions. The amended standard has these dates coinciding with the date of transition to IFRS. The amendment is effective for annual periods beginning on or after July 1, 2011.

D. *IFRS 7 "Financial Instruments: Disclosures" (Amendment)*
The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, or financial assets are not derecognised in their entirety. The amendment is effective for annual periods beginning on or after July 1, 2011.

E. *IAS 12 "Income Taxes" — Deferred Taxes: Recovery of Underlying Assets*
The amendment to IAS 12 introduce a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. The amendment also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. As a result of this amendment, SIC 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* has been withdrawn. The amendment is effective for annual periods beginning on or after January 1, 2012.

F. *IFRS 10 "Consolidated Financial Statements"*
IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and SIC-12. The changes introduced by IFRS 10 primarily relate to the elimination of the perceived inconsistency between IAS 27 and SIC-12 by introducing a new integrated control model. That is, IFRS 10 primarily relates to whether to consolidate another entity, but does not change how an entity is consolidated. The standard is effective for annual periods beginning on or after January 1, 2013.

G. *IFRS 11 "Joint Arrangements"*
IFRS 11 replaces IAS 31 and SIC-13. The changes introduced by IFRS 11 primarily relate to increase comparability within IFRS by removing the choice for jointly controlled entities to use proportionate consolidation, so that the structure of the arrangement is no longer the most important factor when determining the classification as a joint operation or a joint venture, which then determines the accounting. The standard is effective for annual periods beginning on or after January 1, 2013.

H. *IFRS 12 "Disclosures of Interests in Other Entities"*
IFRS 12 primarily integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities and presents those requirements in a single IFRS. The standard is effective for annual periods beginning on or after January 1, 2013.

I. *IFRS 13 "Fair Value Measurement"*
IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosures required. The standard is effective for annual periods beginning on or after January 1, 2013.

J. *IAS 1 "Presentation of Financial Statements" — Presentation of Items of Other Comprehensive Income*
The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified. The amendment is effective for annual periods beginning on or after July 1, 2012.

K. *IAS 19 "Employee Benefits" (Revised)*
The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in Other Comprehensive Income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, etc.. The revised standard is effective for annual periods beginning on or after January 1, 2013.

L. *IFRS 1 "First-time Adoption of International Financial Reporting Standards" — Government Loans*

The IASB has added an exception to the retrospective application of IFRS 9 (or IAS 39) and IAS 20. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. The amendment is effective for annual periods beginning on or after January 1, 2013.

M. *IFRS 7 "Financial Instruments: Disclosures" — Disclosures — Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement'. The amendment is effective for annual periods beginning on or after January 1, 2013.

N. *IAS 32 "Financial Instruments: Presentation" — Offsetting Financial Assets and Financial Liabilities*

The amendment clarifies the meaning of "currently has a legally enforceable right to set-off" in IAS 32. The amendment is effective for annual periods beginning on or after January 1, 2014.

O. *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"*

This Interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognizes these costs as a non-current asset ("stripping activity asset"), only if certain criteria are met. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. The interpretation is effective for annual periods beginning on or after January 1, 2013.

P. *Improvements to International Financial Reporting Standards (2009-2011 cycle):*

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendment clarifies that an entity that has stopped applying IFRS may choose to either: Re-apply IFRS 1, even if the entity applied IFRS 1 in a previous reporting period; or Apply IFRS retrospectively in accordance with IAS 8 (i.e., as if it had never stopped applying IFRS) in order to resume reporting under IFRS. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 1 "Presentation of Financial Statements"

The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. The opening statement of financial position (known as 'the third balance sheet') must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the third balance sheet. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 16 "Property, Plant and Equipment" (Amendment)

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 32 "Financial Instruments: Presentation" (Amendment)

The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 34 "Interim Financial Reporting" (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Besides, total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment is effective for annual periods beginning on or after January 1, 2013.

Q. *IFRS 10 "Consolidated Financial Statements" (Amendment)*

The Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidating them. The amendments also set out disclosure requirements for investment entities. The amendment is effective for annual periods beginning on or after January 1, 2014.

R. *IAS 36 "Impairment of Assets" (Amendment)*

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendment is effective for annual periods beginning on or after January 1, 2014.

S. *IFRIC 21 "Levies"*

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain). The interpretation is effective for annual periods beginning on or after January 1, 2014.

T. *IAS 39 "Financial Instruments: Recognition and Measurement" (Amendment)*

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was notated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after January 1, 2014.

U. *IFRS 9 "Financial Instruments" (Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39)*

The IASB announced amendments to the accounting requirements for financial instruments, which include: (1) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (2) allow the changes to address the 'own credit' not to be recognized in profit or loss that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and (3) remove the January 1, 2015 mandatory effective date of IFRS 9.

V. *IAS 19 "Employee Benefits" (Defined benefit plans: employee contributions)*

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment is effective for annual periods beginning on or after July 1, 2014.

W. *Improvements to International Financial Reporting Standards (2010-2012 cycles):*

IFRS 2 "Share-based Payment"

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 3 "Business Combinations"

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 *Financial Instruments* to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after July 1, 2014.

IFRS 8 "Operating Segments"

The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after July 1, 2014.

IFRS 13 "Fair Value Measurement"

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement as consequential amendments* from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 "Property, Plant and Equipment"

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 24 "Related Party Disclosures"

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after July 1, 2014

IAS 38 "Intangible Assets"

The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

X. *Improvements to International Financial Reporting Standards (2011-2013 cycles):*

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 3 "Business Combinations"

This amendment clarifies that paragraph 2(a) of IFRS 3 *Business Combinations* excludes the formation of all types of joint arrangements as defined in IFRS 11 *Joint Arrangements* from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after July 1, 2014.

IFRS 13 "Fair Value Measurement"

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 40 "Investment Property"

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property*, separate application of both standards independently of each other is required. The amendment is effective for annual periods beginning on or after July 1, 2014.

Y. *IFRS 14 "Regulatory Deferral Accounts"*
IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

The abovementioned standards and interpretations issued by IASB have not yet recognized by FSC at the date of issuance of the Group's financial statements, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (A) ~ (B), (D) ~ (K) and (M) ~(X) it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2013 and 2012 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC ("TIFRS").

(2) Basis of preparation

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

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

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

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

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

If the Group loses control of a subsidiary, it:

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

B. The consolidated entities are listed as follows:

			Percentage of ownership (%)		
Investor	Subsidiaries	Main business	December 31, 2013	December 31, 2012	January 1, 2012
The Company	Formosa Oil (Asia Pacific) Corp.	Sales Retailer	100%	100%	100%
The Company	Formosa Petrochemical Transportation Corp.	Transportation Service	88%	88%	88%
The Company	FPCC USA, INC	Oil exploration & production	100%	100%	100%
The Company	Formosa Dredging Corporation	Leasing on ships	100%	100%	100%
Formosa Dredging Corporation	Formosa Petrochemical Marine Company Limited	Transportation	100%	100%	100%

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

			Percentage of ownership (%)			
Investor	Subsidiaries	Main business	December 31, 2013	December 31, 2012	January 1, 2012	Reason
Formosa Oil (Asia Pacific) Corp.	Whale Home International Co.	Sales Retailer	49.00%	49.00%	49.00%	Note 1
Formosa Petrochemical Transportation Corp.	Whale Home International Co.	Sales Retailer	15.69%	15.69%	15.69%	Note 1

Note1: The total percentages of ownership of Formosa Oil (Asia Pacific) Corporation and Formosa Petrochemical Transportation Corporation in Whale Home International Co., Ltd. were both 64.49% as of December 31, 2013, December 31, 2012 and January 1, 2012. However, because the total assets, liabilities and net income of Whale Home International Co., Ltd, accounted for only 0.09%, 0.04% and 0.02% and 0.10%, 0.05% and (0.18%) and 0.10%, 0.05% and 0.06% of the Company's corresponding accounts as of December 31, 2013, December 31, 2012 and January 1, 2012, Whale Home International Co., Ltd was not included in the consolidated financial statement.

The financial statements of some of the consolidated subsidiaries listed above had not been reviewed by auditors. As of December 31, 2013, December 31, 2012, and January 1, 2012, the related assets of the subsidiaries which were not reviewed by auditors amounted to NT$7,337,789 thousand, NT$8,864,854 thousand and NT$6,343,262 thousand, respectively, and the related liabilities amounted to NT$5,615,833 thousand, NT$7,015,989 thousand and NT$4,533,622 thousand, respectively. The comprehensive income (loss) of these subsidiaries amounted to NT$(84,339) thousand and NT$25,900 thousand for the years ended December 31, 2013 and 2012, respectively.

(4) Foreign currency transactions

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

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

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

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

(b) Foreign currency items within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are accounted for based on the accounting policy for financial instruments.

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

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

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

The following are accounted for as disposals even if an interest in the foreign operation is retained by the Group: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the time-deposits accounts with maturity under 3 months, repurchase bonds and commercial papers).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets

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

Financial assets of the Group are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

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

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

i. significant financial difficulty of the issuer or obligor
ii. a breach of contract, such as a default or delinquency in interest or principal payments
iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation
iv. the disappearance of an active market for that financial asset because of financial difficulties.

For loans and receivables, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(b) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(c) Offsetting of financial instruments

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

(d) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

(9) Derivative financial instrument

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

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

(10) Inventories

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

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

Raw materials – Purchase cost on a first in, first out basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

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

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

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid in capital and investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes of the associate.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 39 *Financial Instrument: Recognition and Measurement*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates.

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment

(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

The Group recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

(12) Property, plant and equipment

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

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

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

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

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

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

(13) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of *IAS 16* for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*.

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

Assets are transferred to or from investment properties when there is a change in use.

(14) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating leases was recognized over the lease term using the straight line method. Contingent rents are recognized as revenue in the period in which they are earned.

(15) Exploration and evaluation assets

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

(16) Impairment of non-financial assets

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

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

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

(17) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

(a) The significant risks and rewards of ownership of the goods have passed to the buyer
(b) Neither continuing managerial involvement nor effective control over the goods sold has been retained
(c) The amount of revenue can be measured reliably
(d) It is probable that the economic benefits associated with the transaction will flow to the entity
(e) The costs incurred in respect of the transaction can be measured reliably

For the customer loyalty points program that the Company operates, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(18) Borrowing costs

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

(19) Post-employment benefits

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

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The Group amortizes a portion of its actuarial gains and losses as income or expense over the expected remaining average working years if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of any plan assets.

(20) Income taxes

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

Current income tax

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

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

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

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

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Judgment

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

Financing lease commitment－Company as the lessor

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

(2) Estimates and assumptions

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

(a) Fair value of financial instruments

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

(b) Pension benefits

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

(c) Revenue recognition – Customer loyalty program

The Group estimates the fair value of points awarded under the customer loyalty program by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As points issued under the program do not expire, such estimates are subject to significant uncertainty. Please refer to Note 6 for more details.

(d) Revenue recognition – sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(e) Income tax

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

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred tax assets.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Cash on hand and petty cash	$66,502	$35,737	$19,557
Checking accounts	324,307	91,667	77,924
Demand deposits	10,484,489	8,688,025	9,652,145
Time deposits	4,797,884	11,536,702	21,826,407
Commercial paper	441,058	116,576	261,265
Repurchase Bonds	537,495	664,660	595,812
Total	$16,651,735	$21,133,367	$32,433,110

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

(2) Available-for-sale financial asset-current

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Listed securities	$13,821,806	$13,810,431	$11,910,221
Fund	60,000	60,000	60,000
Less:			
Accumulated impairment	(2,250,140)	(2,250,140)	(956,380)
Add(Less): Adjustments	11,274,943	8,445,523	9,576,234
Total	$22,906,609	$20,065,814	$20,590,075

The Group participated in the private placement of Nan Ya Technology Corporation and acquired NT$1,900,210 thousand worth of securities in June 2009 to obtain a stake of 6.04% in the ownership of Nan Ya Technology Corporation after its capital increase. As of September 30, 2012, the lock up period of the above investment had expired. According to the Company's purpose for holding such shares, the securities, including the recognized impairment loss of NT$1,293,760 thousand, were reclassified from asset carried at cost-non-current to available-for-sale financial asset- current.

None of the securities were pledged as collateral or restricted for uses. As of December 31, 2013, the total amount of accumulated impairment recognized for the investment the lock up period of the above investment had expired in Nan Ya Technology Corporation was NT$2,250,140 thousand.

(3) Financial assets (liabilities) at fair value through profit or loss-current and non-current

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Financial assets held for trading:			
Derivative financial instruments			
Non-delivery Forward foreign exchange contracts	$882,620	$-	$-
Interest rate swap contracts	-	-	-
Total	$882,620	$-	$-
Current	$882,620	$-	$-
Non-current	-	-	-
Total	$882,620	$-	$-

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Financial liabilities held for trading:			
Derivative financial instruments			
Forward foreign exchange contracts	$-	$(625,640)	$-
Interest rate swap contracts	-	(4,823)	(12,331)
Total	$-	$(630,463)	$(12,331)
Current	$-	$(210,191)	$-
Non-current	-	(420,272)	(12,331)
Total	$-	$(630,463)	$(12,331)

A. Delivery & Non-delivery Forward contract:

a. In order to hedge the exchange rate risk arising from USD crude oil and refined oil guaranteed loans and of raw materials purchases, the Company has entered into long-term forward contracts with (domestic and foreign) financial institutions. However, hedge accounting was not applied to these contracts as they did not meet the hedge accounting criteria. Accordingly, these contracts were treated as held for trading purposes. Please refer to Note 12 for details of financial risk management objectives and policies, hedging strategies and activities.

b. The details of outstanding non-delivery forward contracts on December 31, 2013 were as follows:

		December 31, 2013		
			Book Value	
			Asset	Liability
Bank	Period	Principal	NTD	NTD
Standard Chartered Bank	2012.09.28~2014.08.29	NT$863,400	$27,732	$-
Chase Bank	2012.09.28~2014.08.29	863,550	27,001	-
ANZ Bank	2012.10.02~2014.08.29	431,475	13,060	-
ANZ Bank	2012.10.05~2014.08.29	431,550	12,984	-
Credit Agricole CIB	2012.10.05~2014.08.29	431,700	15,475	-
Chase Bank	2012.10.05~2014.08.29	1,725,600	55,516	-
DBS Bank	2012.10.12~2014.08.29	862,725	25,470	-
Chase Bank	2012.10.16~2014.08.29	2,584,800	86,907	-
ANZ Bank	2012.10.16~2014.08.29	861,150	27,937	-
DBS Bank	2012.10.16~2014.08.29	1,722,900	53,516	-
Credit Agricole CIB	2012.10.16~2014.08.29	860,850	33,510	-
Chase Bank	2012.10.17~2014.08.29	573,000	20,725	-
ANZ Bank	2012.10.17~2014.08.29	859,920	29,178	-
Credit Agricole CIB	2012.10.25~2014.08.29	1,580,675	58,975	-
DBS Bank	2012.10.25~2014.08.29	862,050	26,152	-
Credit Agricole CIB	2012.10.31~2014.08.29	574,600	21,637	-
Chase Bank	2012.10.31~2014.08.29	1,723,500	57,635	-
Credit Agricole CIB	2012.11.07~2014.08.29	1,148,000	44,479	-
ANZ Bank	2012.11.07~2014.08.29	1,147,400	38,056	-
Standard Chartered Bank	2012.11.07~2014.08.29	1,148,000	40,198	-
Chase Bank	2012.11.07~2014.08.29	2,295,400	79,471	-
Chase Bank	2012.11.08~2014.08.29	573,200	20,524	-
Standard Chartered Bank	2012.11.08~2014.08.29	573,000	21,106	-
Credit Agricole CIB	2012.11.08~2014.08.29	286,500	11,622	-
Credit Agricole CIB	2012.11.09~2014.08.29	286,000	12,124	-
ANZ Bank	2012.11.09~2014.08.29	285,900	10,473	-
Standard Chartered Bank	2012.11.09~2014.08.29	285,900	11,157	-
Subtotal		NT$25,842,745	882,620	-
Less：Financial assets (liabilities) at fair value through profit or loss - current			882,620	-
Financial assets (liabilities) at fair value through profit or loss - non - current			$-	$-

English Translation of Financial Statements Originally Issued in Chinese

The details of outstanding non-delivery forward contracts on December 31, 2012 were as follows:

		December 31, 2012		
			Book Value	
			Asset	Liability
Bank	Period	Principal	NTD	NTD
Standard Chartered Bank	2012.09.28~2014.08.29	NT$863,400	$-	$(18,006)
Chase Bank	2012.09.28~2014.08.29	863,550	-	(16,251)
ANZ Bank	2012.10.02~2014.08.29	431,475	-	(7,524)
ANZ Bank	2012.10.05~2014.08.29	431,550	-	(7,601)
Credit Agricole CIB	2012.10.05~2014.08.29	431,700	-	(7,724)
Chase Bank	2012.10.05~2014.08.29	1,725,600	-	(30,956)
DBS Bank	2012.10.12~2014.08.29	862,725	-	(15,030)
Chase Bank	2012.10.16~2014.08.29	2,584,800	-	(42,722)
ANZ Bank	2012.10.16~2014.08.29	861,150	-	(13,205)
DBS Bank	2012.10.16~2014.08.29	1,722,900	-	(27,455)
Credit Agricole CIB	2012.10.16~2014.08.29	860,850	-	(12,835)
Chase Bank	2012.10.17~2014.08.29	573,000	-	(8,050)
ANZ Bank	2012.10.17~2014.08.29	859,920	-	(11,945)
Credit Agricole CIB	2012.10.25~2014.08.29	1,580,675	-	(26,040)
DBS Bank	2012.10.25~2014.08.29	862,050	-	(14,341)
Credit Agricole CIB	2012.10.31~2014.08.29	574,600	-	(9,274)
Chase Bank	2012.10.31~2014.08.29	1,723,500	-	(28,791)
Credit Agricole CIB	2012.11.07~2014.08.29	1,148,000	-	(17,318)
ANZ Bank	2012.11.07~2014.08.29	1,147,400	-	(16,787)
Standard Chartered Bank	2012.11.07~2014.08.29	1,148,000	-	(20,722)
Chase Bank	2012.11.07~2014.08.29	2,295,400	-	(35,707)
Chase Bank	2012.11.08~2014.08.29	573,200	-	(8,257)
Standard Chartered Bank	2012.11.08~2014.08.29	573,000	-	(9,334)
Credit Agricole CIB	2012.11.08~2014.08.29	286,500	-	(3,817)
Credit Agricole CIB	2012.11.09~2014.08.29	286,000	-	(3,305)
ANZ Bank	2012.11.09~2014.08.29	285,900	-	(3,224)

		December 31, 2012		
			Book Value	
			Asset	Liability
Bank	Period	Principal	NTD	NTD
Standard Chartered Bank	2012.11.09~2014.08.29	285,900	-	(4,051)
Citibank	2012.12.12~2013.01.04	1,058,849	-	(46,655)
Mizuho Corporate Bank	2012.12.12~2013.01.04	1,058,208	-	(43,029)
HSBC Bank	2012.12.12~2013.01.04	1,055,652	-	(41,285)
Bank of Taiwan	2012.12.13~2013.01.04	1,053,108	-	(41,436)
DBS Bank	2012.12.13~2013.01.04	1,047,430	-	(30,618)
DBS Bank	2012.12.20~2013.01.15	290,000	-	(173)
DBS Bank	2012.12.20~2013.01.28	579,250	-	(431)
HSBC Bank	2012.12.25~2013.01.04	88,232	-	(1,741)
Subtotal		NT$32,073,474	-	(625,640)
Less：Financial assets (liabilities) at fair value through profit or loss - current			-	(205,368)
Financial assets (liabilities) at fair value through profit or loss - non - current			$-	$(420,272)

B. Interest rate swap contracts

a. In order to hedge the cash flow interest rate risk arising from long-term syndicated loan for No. 6 Naphtha Cracking Project, the Group had entered into interest rate swap contracts with several domestic and foreign financial institutions. However, the Group revoked the designation as a result of the repayment of partial syndicated loan effective from July 1, 2006. Accordingly, these contracts were treated as for trading purposes. Those previously recognized as derivative financial assets (liability) for hedging-non-current were reclassified under financial assets (liability) at fair value through profit or loss-non-current and the changes in the fair value of the hedging instrument previously recognized as adjustments to unrealized profit/loss in equity were transferred to profit or loss. Please refer to Note 12 for details of financial risk management objectives and policies, hedge strategy and activities.

b. The details of the outstanding interest rate swap contract were as follows:

As of December 31, 2013, interest rate swap contracts have been settled.

			December 31, 2012	
			Book Value	
			Asset	Liability
Bank	Settlement date	Principal	NTD	NTD
First Bank	Sep.17, 2013	NT$500,000	$-	$(4,823)
Less：financial assets (liabilities) at fair value through profit or loss-current			-	(4,823)
Financial assets (liabilities) at fair value through profit or loss-non-current			$-	$-

			January 1, 2012	
			Book Value	
			Asset	Liability
Bank	Settlement date	Principal	NTD	NTD
First Bank	Sep.17, 2013	NT$500,000	$-	$(12,331)
Less：financial assets (liabilities) at fair value through profit or			-	-
Financial assets (liabilities) at fair value through profit or loss-non-				$(12,331)

C. Cross-currency swap contracts

a. In order to hedge against the risk of fluctuations in foreign exchange rate of the USD borrowings, the Company entered cross-currency swap contracts with various banks. However, hedge accounting was not applied to these contracts as they failed to meet the hedge accounting criteria. Accordingly, these contracts were treated as held for trading purposes. Please refer to Note 12 for details of financial risk management objectives and policies, hedging strategies and activities.

b. The details of the outstanding cross-currency swap were as follows:

December 31, 2013		
Bank	Period	Principal
ANZ Bank	Jun.29, 2012~Jun.29, 2014	$2,990,000
ANZ Bank	Nov.28, 2012~Nov.28, 2014	2,915,000
Citibank	Jul.18, 2013~Jan.14, 2014	2,990,000
DBS Bank	Mar.29, 2013~ Mar.24, 2014	897,000
DBS Bank	Apr.29, 2013~ Apr.29, 2014	2,962,000
Credit Agricole CIB	Jul.15, 2013~ Jan.15, 2013	2,393,600
DBS Bank	Jul.15, 2013~Jan.15, 2014	2,994,500
HSBC Bank	Jul.30, 2013~Jan.29, 2014	1,345,950
Standard Chartered Bank	Jul.30, 2013~Jan.24, 2014	1,496,500
Bank of America	Jul.31, 2013~Jan.29, 2014	1,496,500
Deutsche Bank	Jul.30, 2013~Jan.29, 2014	1,496,500
Total		NT$23,977,550

December 31, 2012		
Bank	Period	Principal
ANZ Bank	Jun.29, 2012~Jun.29, 2014	NT$2,990,000
DBS Bank	Jul.11, 2012~Jul.15, 2013	2,994,500
HSBC Bank	Jul.27, 2012~Jul.30, 2013	1,352,700
ANZ Bank	Nov.28, 2012~Nov.28, 2014	2,915,000
Total		NT$10,252,200

(4) Derivative financial assets (liabilities) for hedging-current or non-current

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Financial assets for hedging			
Financial Derivatives			
Energy commodity swap contracts	\$8,671	\$-	\$24,012
Total	\$8,671	\$-	\$24,012
Current	\$8,671	\$-	\$24,012
Non-current	-	-	-
Total	\$8,671	\$-	\$24,012

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Financial liability for hedging			
Financial Derivatives			
Interest rate swap contracts	\$-	\$(138,243)	\$(339,112)
Total	\$-	\$(138,243)	\$(339,112)
Current	\$-	\$(138,243)	\$-
Non-current	-	-	(339,112)
Total	\$-	\$(138,243)	\$(339,112)

A. Energy commodity swap contracts

a. As of December 31, 2013 there were 9 energy commodity swap contracts outstanding. The Company used these contracts to hedge the fluctuations of international crude oil and petroleum product prices. The swap contracts entered into by the Company are highly correlated with the price movement of the hedged items and periodic reviews are conducted on the swap contracts undertaken. All energy commodity swap contracts currently held by the Company are held for non-trading purposes. The Company has not entered into any swap contracts for purposes other than hedging. Please refer to Note 12 for details of the company’s financial risk management objectives and policies, hedging strategies and activities.

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

		December 31, 2013		
			Book Value	
		Notional	Asset	Liability
Type of Transaction	Pricing Period	Quantity	NTD	NTD
Singapore gasoil/ Dubai Crack Swap	May.1, 2014~ July.31, 2014	75(1,000 bbl.)	$3,444	$-
Singapore gasoil/ Dubai Crack Swap	April.1, 2014~ Jun.30, 2014	75(1,000 bbl.)	2,426	-
Singapore Jet fuel/ Dubai Crack Swap	April.1, 2014~ Jun.30, 2014	75(1,000 bbl.)	2,801	-
Total			8,671	-
Less: Derivative financial assets (liabilities) for hedging-current			8,671	-
Derivative financial assets (liabilities) for hedging-non-current			$-	$-

		January 1, 2012		
			Book Value	
		Notional	Asset	Liability
Type of Transaction	Pricing Period	Quantity	NTD	NTD
Singapore gasoil/ Dubai Crack Swap	July.1, 2012~ Dec.31, 2012	225(1,000 bbl.)	$10,700	$-
Singapore Jet fuel/ Dubai Crack Swap	July.1, 2012~ Dec.31, 2012	225(1,000 bbl.)	13,312	-
Total			24,012	-
Less: Derivative financial assets (liabilities) for hedging-current			24,012	-
Derivative financial assets (liabilities) for hedging-non-current			$-	$-

B. Interest rate swap contracts

a. In order to hedge the cash flow interest rate risk arising from long-term syndicated loan for No. 6 Naphtha Cracking Project, the Company has entered into interest rate swap (IRS) contracts with several domestic and foreign financial institutions to swap its interest liabilities calculated on floating rates with one calculated on fixed rates. Please refer to Note 12 for details of financial risk management objectives and policies, hedging strategies and activities.

b. For long-term syndicated loan of No. 6 Naphtha Cracking Project, the details of the outstanding interest rate swap were as follows:

As of December 31, 2013, both have been settled.

			December 31, 2012	
			Book Value	
			Asset	Liability
Bank	Settlement date	Principal	NTD	NTD
BNP Paribas	Sep.2, 2013~Sep.17,2013	NT$8,100,000	$-	$(92,755)
Citibank	Sep.5, 2013	2,000,000	-	(23,343)
Yuanta Bank	Sep.9, 2013	1,000,000	-	(10,836)
Changhwa Bank	Sep.2, 2013	1,000,000	-	(11,309)
Subtotal		NT$12,100,000	-	(138,243)
Less: Derivative financial assets (liabilities) for hedging-current			-	(138,243)
Derivative financial assets (liabilities) for hedging-non-current			$-	$-

			January 1, 2012	
			Book Value	
			Asset	Liability
Bank	Settlement date	Principal	NTD	NTD
BNP Paribas	Sep.2, 2013~Sep.17,2013	NT$8,100,000	$-	$(225,979)
Citibank	Sep.5, 2013	2,000,000	-	(56,810)
Yuanta Bank	Sep.9, 2013	1,000,000	-	(27,635)
Changhwa Bank	Sep.2, 2013	1,000,000	-	(28,688)
Subtotal		NT$12,100,000	-	(339,112)
Less: Derivative financial assets (liabilities) for hedging-current			-	-
Derivative financial assets (liabilities) for hedging-non-current			$-	$(339,112)

(5) Notes and accounts receivable

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
A.Notes receivable	$613	$4,169	$188,402
Less: Allowance for doubtful accounts	-	-	(26,681)
Notes receivable, net	$613	$4,169	$161,721
B.Notes receivable-related parties	$-	$2,523,618	$2,483,013
Less: Allowance for doubtful accounts	-	-	-
Notes receivable-related parties, net	$-	$2,523,618	$2,483,013

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
C.Accounts receivable	$41,625,970	$38,242,707	$32,577,640
Less: Allowance for doubtful accounts	(849,921)	(795,127)	(634,027)
Accounts receivable, net	$40,776,049	$37,447,580	$31,943,613
D.Accounts receivable-related parties	$44,176,717	$39,283,251	$29,999,355
Less: Allowance for doubtful accounts	-	-	-
Accounts receivable, related parties ,net	$44,176,717	$39,283,251	$29,999,355

The notes receivable and accounts receivable were generated due to operations and did not hold any collateral.

Accounts receivable are generally on 30 day terms. The movements in the provision for impairment of accounts receivable and notes receivable are as follows:

	Groups assessment for impairment	
Individually impaired	For the year ended December 31, 2013	For the year ended December 31, 2012
Amount at beginning of period	$795,127	$660,708
Charge/reversal for the current period	54,794	134,419
Write off	-	-
Amount at end of period	$849,921	$795,127

Accounts receivable and accounts receivable from related parties, net — The aging analysis is as follows:

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
Not past due(1-30 days)	$82,633,430	$72,039,495	$59,463,020
Past due 1-30 days	2,316,626	4,691,159	2,479,655
Past due 31-60 days	2,505	175	293
Past due 61-90 days	205	2	-
Total	$84,952,766	$76,730,831	$61,942,968

The above table is based on the length of time overdue. None of them were actually impaired.

(6) Inventories

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Raw materials	$14,533,334	$20,909,055	$38,582,872
Supplies	10,096,002	9,640,387	8,881,765
Work in process	19,729,837	15,889,339	17,370,007
Finished goods	32,714,905	29,522,375	31,708,287
Goods in transit	3,528,623	158,195	203,210
By-product	4,099	432,504	402,760
Consignment inventories	-	306	-
Total	80,606,800	76,552,161	97,148,901
Less: Allowance for inventory valuation losses	(227,385)	(555,387)	(615,105)
Inventories, net	$80,379,415	$75,996,774	$96,533,796

A. Certain inventories (crude oil and petroleum product) have been pledged as collaterals (in accordance with contractual terms and based on the price calculated with respect to the international market's condition) for the US$900 million medium-term syndicated loan provided by Citibank since the fourth quarter of 2011. Please refer to Note 8 for details.

B. The cost of inventories recognized in expenses amounted to NT$898,078,442 thousand and NT$885,211,930 thousand for the years ended December 31, 2013 and 2012, including the expense (benefit) from inventory written down to its respective net realizable value of NT$328,002 thousand and NT$59,718 thousand for the years ended December 31, 2013 and 2012. The gain from price recovery of inventory is attributed to price rise of international crude oil and light oil.

(7) Available-for-sale financial asset- non-current

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Listed securities	$8,250,000	$8,250,000	$7,900,210
Less: Accumulated impairment	-	-	(1,293,760)
Add(subtract): Valuation adjustments	5,743,274	473,986	(1,336,497)
Total	$13,993,274	$8,723,986	$5,269,953

In December 2012 and November, 2011, the Group participated in the private placement of Nan Ya Technology Corporation and acquired NT$2,250,000 thousand and NT$6,000,000 thousand worth of securities to obtain 1,323,529 thousand stocks and 2,166,065 thousand stocks respectively. Such financial instruments were accounted for as the available-for-sale financial asset-non-current.

(8) Financial assets measured at cost - non-current

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
Investee	NTD	NTD	NTD
Nan Ya Photonics Incorporation	$294,583	$294,583	$294,583
Asia Pacific Investment Corporation	117,500	117,500	117,500
Formosa Network Technology Corporation	13,331	13,331	13,331
Formosa Heavy Industries Corporation	116,955	116,955	116,955
Formosa Ocean Group Marine Investment Corporation	856,948	856,948	856,948
Amtrust Capital Corporation	50,000	50,000	50,000
Tai Yi Feng Corporation	15,000	15,000	15,000
Subtotal	1,464,317	1,464,317	1,464,317
Less: Accumulated impairment	(18,530)	(18,530)	(18,530)
Total	$1,445,787	$1,445,787	$1,445,787

A. The non-listed (non-OTC) equity investments held by the Company, these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for the investments and that to probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

B. As of December 31, 2013, the total amount of accumulated impairment recognized with respect to Amtrust Capital Corporation was NT$18,530 thousand.

C. Financial assets measured at cost were not pledged.

(9) Investments accounted for using the equity method

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

	As of					
	December 31, 2013		December 31, 2012		January 1,2012	
Investee	NTD	Percentage of Ownership (%)	NTD	Percentage of Ownership (%)	NTD	Percentage of Ownership (%)
Investments in associates						
Mai-Liao Power Corporation	$10,882,973	24.94	$10,621,069	24.94	$9,377,137	24.94
Yi-Chi Construction Corporation	87,372	40.55	87,267	40.55	86,703	40.55
Mailiao Harbor Administration Corporation	2,350,651	44.96	2,107,849	44.96	2,113,663	44.96
Formosa Development Corporation	630,200	45.99	562,527	45.99	571,175	45.99
Formosa Marine Corporation	65,892	20.00	5,450	20.00	11,275	20.00
Simosa Oil corporation	530,576	20.00	358,094	20.00	243,800	20.00
Formosa Environmental Technology Corporation	273,956	24.34	280,819	24.34	288,670	24.34
Formosa Ha tinh Steel Corporation	15,240,073	15.53	6,744,231	21.25	3,483,559	21.25
Formosa Plastics Synthetic Rubber	376,157	33.33	392,941	33.33	395,040	33.33
Formosa Plastics Synthetic Rubber(HK)	898,543	30.00	868,321	30.00	-	-
Whale Home International Corp.	205,543	64.69	200,743	64.69	206,356	64.69
TMS Corp.	38,460	49.00	33,461	49.00	28,685	49.00
Jia Fu Petroleum Corp.	453	98.83	-	-	-	-
FormoLight Technologies, Inc	76,141	39.43	-	-	-	-
Formosa Resources Corporation	3,025,362	25.00	-	-	-	-
Formosa Group (Cayman) Limited	361	25.00	-	-	-	-
Subtotal	34,682,713		22,262,772		16,806,063	
Investments in jointly controlled entities						
Caltex Taiwan Corporation	51,453	50.00	45,515	50.00	60,841	50.00
Neumin Oil and Gas, LLC.	19,198	50.00	18,647	50.00	17,811	50.00
Formosa Kraton Chemical Co., Ltd.	1,226,996	50.00	-	-	-	-
Formosa Falkor Engineering Corporation	10,283	50.00	-	-	-	-
Subtotal	1,307,930		64,162		78,652	
Total	$35,990,643		$22,326,934		$16,884,715	

A. Investments in associates

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

(b) The Group invested in “Formosa Ha Tinh Steel Corporation” in Vietnam in accordance with the decision resolved at the board of directors’ meeting back in April, 2008. As of December 31, 2014, US$516,250 thousand, approximately NT$15,369,735 thousand, have been remitted to Formosa Ha Tinh Steel Corporation. The Group held less than 20% of the voting power but still has significant influence on the investee so equity method was adopted. In 2013, the associate issued new stock, and the Company’s interest in an associate is reduced as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase NT$84,094 in the interest in the associate was recognized in Additional Paid in Capital and Investment in associate.

(c) Financial information of the Group’s associates was summarized as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Total assets (100%)	$195,704,521	$107,998,501	$88,158,336
Total liabilities (100%)	$26,195,059	$20,095,524	$24,019,325

	For the year ended December 31, 2013	For the year ended December 31, 2012
	NTD	NTD
Net revenue (100%)	$42,702,801	$43,392,310
Net income (100%)	$7,793,461	$7,144,305

B. Investments in jointly controlled entities of the Company

(a) The Group’s investment in its jointly controlled entity was summarized as follows:

Name	Main Business	Remark
Caltex Taiwan Corporation	Petroleum products wholesale and retail and airport refuelling	None
NEUMIN OIL AND GAS, LCC.	Oil exploration	None
Formosa Kraton Chemical Co.,Ltd.	Synthetic Rubber Manufacturing	In preparatory period as of December 31, 2013
Formosa Falkor Engineering Corporation	Plumbing, painting works	None

(b) The Group recognized the jointly controlled entities in the consolidated financial statements through equity method.

The Group's share of assets and liabilities in the jointly controlled entities:

	December 31, 2013	December 31, 2012	January 1,2012
Current Assets	$2,860,823	$675,910	$658,579
Non-current Asset	$721,318	$18,417	$25,131
Current Liabilities	$971,533	$562,914	$513,286
Non-current Liabilities	$1,691	$-	$64

The Group's share of the revenues and expenses in the jointly controlled entities:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Operating Income	$8,136,613	$5,832,372
Operating Costs	$8,030,756	$5,742,334
Operating Expenses	$103,403	$57,401
Non-Operating Income and Expenses	$18,062	$(1,858)
Income Tax Expense	$3,909	$5,758
Other comprehensive income	$-	$-

D. The above-mentioned, the investment income under the equity method amounted to NT$35,990,643 thousand, NT$22,326,934 thousand and NT$16,884,715 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. The related share of profits of associates and joint venture under the equity method amounted to NT$2,134,760 thousand and NT$1,921,597 thousand for the years ended December 31, 2013 and 2012, respectively. The share of other comprehensive income of associates and joint venture under the equity method amounted to NT$348,739 thousand and NT$(206,968) thousand for the years ended December 31, 2013 and 2012, respectively. The financial statements of Yi-Chi Construction Corporation, Formosa Environmental Technology Corporation, Simosa Oil Corporation, Formosa Ha tinh Steel Corporation, Formosa Plastics Synthetic Rubber, Formosa Plastics Synthetic Rubber(HK), TMS Corp., Jia Fu Petroleum Corp, FormoLight Technologies, Inc, Formosa Group (Cayman) Limited, Formosa Kraton Chemical Co., and Neumin Oil and Gas, LLC. were audited by the other auditors. Additionally, Mai-Liao Power Corporation's reports have been audited by us since 2013.

E. For those investees accounted for under the equity method, the unrealized intercompany losses and profits for the years ended December 31, 2013 and 2012 both amounted to NT$0 thousand.

F. Long-term equity investments are not pledged as collaterals for bank loans as of December 31, 2013 and 2012.

(10) Property, plant and equipment

	Land and land improvements	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Lease assets	Leasehold Improvement	Construction in progress	Total
Cost									
2013.1.1	$19,444,663	$41,513,333	$316,775,483	$3,676,605	$1,265,956	$2,840,165	$339,694	$11,294,401	$397,150,300
Additions	15,988	-	26,776	218,521	53,368	-	-	9,153,796	9,468,449
Transfer	-	228,163	2,152,142	81,396	-	-	-	(2,083,004)	378,697
Disposals	-	-	(19,105)	(69,685)	(5,081)	-	(15,085)	(2,350)	(111,306)
Exchange differences	-	-	-	32	15,718	79,349	-	-	95,099
2013.12.31	$19,460,651	$41,741,496	$318,935,296	$3,906,869	$1,329,961	$2,919,514	$324,609	$18,362,843	$406,981,239
2012.1.1	$19,444,663	$40,776,246	$313,225,350	$3,497,949	$1,345,154	$-	$368,676	$4,071,575	$382,729,613
Additions	-	-	126,230	200,967	9,290	2,886,248	2,201	8,973,876	12,198,812
Transfer	-	737,087	3,476,133	32,114	-	-	-	(1,751,050)	2,494,284
Disposals	-	-	(52,230)	(54,425)	(66,204)	-	(31,183)	-	(204,042)
Exchange differences	-	-	-	-	(22,284)	(46,083)	-	-	(68,367)
2012.12.31	$19,444,663	$41,513,333	$316,775,483	$3,676,605	$1,265,956	$2,840,165	$339,694	$11,294,401	$397,150,300
Depreciation and impairment:									
2013.1.1	$-	$15,697,166	$206,029,283	$2,651,145	$640,001	$189,344	$234,976	$-	$225,441,915
Additions	-	1,719,708	19,765,714	236,285	112,584	193,464	26,405	-	22,054,160
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	(17,743)	(68,670)	(5,081)	-	(14,266)	-	(105,760)
Transfer	-	-	(33,592)	33,279	-	-	-	-	(313)
Exchange differences	-	-	-	-	4,150	6,460	-	-	10,610
2013.12.31	$-	$17,416,874	$225,743,662	$2,852,039	$751,654	$389,268	$247,115	$-	$247,400,612
2012.1.1	$-	$14,024,726	$184,666,932	$2,444,784	$594,473	$-	$229,829	$-	$201,960,744
Depreciation	-	1,669,277	21,408,379	256,867	116,486	192,416	31,193	-	23,674,618
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	(42,865)	(50,506)	(66,204)	-	(26,046)	-	(185,621)
Transfer	-	3,163	(3,163)	-	-	-	-	-	-
Exchange differences	-	-	-	-	(4,754)	(3,072)	-	-	(7,826)
2012.12.31	$-	$15,697,166	$206,029,283	$2,651,145	$640,001	$189,344	$234,976	$-	$225,441,915
Net carrying amount as of:									
2013.12.31	$19,460,651	$24,324,622	$93,191,634	$1,054,830	$578,307	$2,530,246	$77,494	$18,362,843	$159,580,627
2012.12.31	$19,444,663	$25,816,167	$110,746,200	$1,025,460	$625,955	$2,650,821	$104,718	$11,294,401	$171,708,385
2012.1.1	$19,444,663	$26,751,520	$128,558,418	$1,053,165	$750,681	$-	$138,847	$4,071,575	$180,768,869

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

Item	For the year ended December 31, 2013	For the year ended December 31, 2012
Construction in progress	$76,070	$28,370
Capitalization rate of borrowing costs	1.12%~1.50%	1.47%~1.76%

(b) Please refer to Note 8 for details of the property, plant and equipment pledged as collaterals.

(c) Interest expenses before capitalization for the years ended December 31, 2013 and 2012 were NT$3,400,741 thousand and NT$3,497,004 thousand.

(11) Investment property

	Land
Cost:	
2013.1.1	$1,038,078
2013.12.31	$1,038,078
2012.1.1	$1,038,078
101.12.31	$1,038,078
Impairment	
2013.1.1	$745,605
Impairment loss	1,339
2013.12.31	$746,944
2012.1.1	$725,945
Impairment loss	19,660
2012.12.31	$745,605
Net carrying amount as of:	
2013.12.31	$291,134
2012.12.31	$292,473
2012.1.1	$312,133

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

(b) The fair value of the investment property held by the Group amounted to NT$291,134 thousand, NT$292,473 thousand and NT$312,133 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. The fair value of investment property was valued by an independent external appraisal expert – Savills Real Estate Appraisers. The fair value was determined based on the market evidence, and the evaluation method was the comparison method.

(c) As of December 31, 2013, December 31, 2012 and January 1, 2012, the above land was temporarily registered under a third party's name, both at cost amounting to NT$11,225 thousand. A lien has been created on the land through the land administration authority of the government, and the registered amounts of the lien were both NT$90,360 thousand. In order to protect the interest of the Company the land was accounted for as the other non-current-asset

(12) Short-term loans

		As of		
		December 31, 2013	December 31, 2012	January 1, 2012
	Interest Rate	NTD	NTD	NTD
Purchase loans	0.682%~1.085%	$18,094,481	$4,362,180	$9,674
Credit loans	0.773%~1.150%	10,780,800	18,916,200	21,000,000
Mortgage loans	1.050%~1.110%	-	1,800,000	-
Others	1.355%~1.380%	31,092	106,210	75,015
Total		$28,906,373	$25,184,590	$21,084,689
Short-term note payable	0.658%	$3,300,000	$13,000,000	$10,100,000

(a) The Company's unused short-term credit lines amounted to NT$61,234,653 thousand, NT$59,743,060 thousand and NT$35,511,575 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

(b) Please refer to Note 8 for more details on inventory and stock of Nan Ya Plastics Corporation pledged as security for purchase loans and mortgage loans.

(13) Bonds payable

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Domestic unsecured bonds	$86,000,000	$81,000,000	$72,000,000
Less: current portion	(18,000,000)	(15,000,000)	(9,000,000)
Long-term bonds payable	$68,000,000	$66,000,000	$63,000,000

As of December 31, 2013, the terms of the domestic bonds were as follows:

Item	Unsecured Bonds No.22	Unsecured Bonds No.23	Unsecured Bonds No.24	Unsecured Bonds No.25	Unsecured Bonds No.26	Unsecured Bonds No.27	Unsecured Bonds No.28	Unsecured Bonds No.29	Unsecured Bonds No.30	Unsecured Bonds No.31		Unsecured Bonds No.32		Unsecured Bonds No.33		Unsecured Bonds No.34	
Issue date	98.1.19	98.7.15	99.4.27	99.5.25	99.7.15	99.10.14	100.4. 20	100.5 .25	100.7.28	101.6.20	101.6.20	101.7.27	101.7.27	102.3.12	102.3.12	102.06.26	102.06.26
Principal amount	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	5,500,000	2,000,000	6,000,000	4,500,000	8,000,000	2,000,000	5,600,000	4,400,000
Ending balance	3,000,000	3,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	5,500,000	2,000,000	6,000,000	4,500,000	8,000,000	2,000,000	5,600,000	4,400,000
Face value	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Issue price	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value
Maturity	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	7 years	5 years	7 years	5years	7 years	5years	7 years
Coupon rate	Fixed rate of 2.02%	Fixed rate of 1.81%	Fixed rate of 1.55%	Fixed rate of 1.54%	Fixed rate of 1.54%	Fixed rate of 1.33%	Fixed rate of 1.40%	Fixed rate of 1.42%	Fixed rate of 1.49%	Fixed rate of 1.30%	Fixed rate of 1.44%	Fixed rate of 1.35%	Fixed rate of 1.44%	Fixed rate of 1.25%	Fixed rate of 1.37%	Fixed rate of 1.28%	Fixed rate of 1.41%
Interest payment	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually
Repayment	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 6th and 7th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 6th and 7th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 6th and 7th year
Conversion exchange or stock warrants	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

(14) Long-term loans

			As of					
			December 31, 2013		December 31, 2012		January 1, 2012	
Banks	Repayment Method	Types	NTD	Interest Rate	NTD	Interest Rate	NTD	Interest Rate
Mega International Commercial Bank and the other 31 banks	The period of the loan is from July 15, 2002 to July 15, 2012. The remaining principal was to be repaid semi-annually in 20 installments.	Syndicated loan	$-	-	$-	-	$836,434	1.050% ~ 1.279%
Mega International Commercial Bank and the other 25 banks	The period of the loan is from August 28, 2006 to August 16, 2016.Interest is payable monthly. The principal will be repaid semi-annually in 15 installments, each in equal amount. The first installment will be paid at the date three years after August 28, 2006.	Expansion syndicated loan(Note1)	14,781,324	1.569% ~ 1.578%	19,406,654	1.531% ~ 1.569%	24,031,984	1.152% ~ 1.531%
Citibank and the other 11 banks	The period of the loan is from August 29, 2011 to August 29, 2014.Interest is payable every 3 months expected maturity extension.	Syndicated loan(Note 2)	26,955,000	0.877% ~ 0.947%	26,222,400	0.947% ~ 1.051%	27,261,000	0.992%
Bank of Taiwan	The period of the loan is from Dec 31, 2013 to Dec 31, 2020		3,000,000	1.589%	-	-	-	-
Bank of Taiwan	The period of the loan is from July 29, 2011 to January 29, 2014.Interest is payable monthly.	Medium-term mortgage loan	6,000,000	1.380%	6,000,000	1.380%	4,000,000	1.300%
Taiwan Corporative Bank	The period of the loan is from August 1, 2011 to August 1, 2014.The total credit limit is NT$4,800 million. The principle will be repaid in one year after the drawing date of the loan in NT$1,200 million, in two years after the drawing date of the loan in NT$1,200 million, and in August 2014 (the expiration date of the loan) in NT$2,400 million.	Medium-term mortgage loan	2,400,000	1.441% ~ 1.446%	3,600,000	1.403% ~ 1.441%	3,600,000	1.403% ~ 1.407%
Land Bank of Taiwan	The period of the loan is from March 9, 2012 to March 9, 2015.Interest is payable monthly. The principal will be repaid semi-annually in 6 installments.	Medium-term mortgage loan	1,500,000	1.567% ~ 1.575%	2,500,000	1.539% ~ 1.567%	-	-
Taipei Fubon Bank	The period of the loan is from July 28, 2011 to July 21 2014.The total credit limit is NT$3,500 million. The credit limit is reusable during the period of the loan. Interest is payable monthly.	Medium-term credit loan	1,900,000	1.450% ~ 1.523%	2,900,000	1.450% ~ 1.497%	2,500,000	1.472% ~ 1.481%
ChinaTrust Commercial Bank	The period of the loan is from July 29, 2010 to July 27 2012.The total credit limit is $3,000 million NT dollars. The outstanding balance was renewed according to agreement. Interest is payable monthly. The principal is repaid as a lump-sum on the expiration of the term.	Medium-term credit loan	-	-	4,500,000	1.110% ~ 1.400%	3,000,000	0.960% ~ 1.110%
Bank of Tokyo-Mitsubishi UFJ	The period of the loan is from September 30, 2010 to September 30, 2013.Interest is payable monthly. The repayment of principal will be due in a lump-sum payment on the expiration of the term. The period is extended to September.30, 2015	Medium-term credit loan	2,000,000	1.17%	4,000,000	1.035% ~ 1.072%	4,000,000	1.020% ~ 1.636%
Bank of Taiwan	The period of the loan is from February 18, 2011 to January 31, 2014.Interest is payable monthly. The repayment of principal will be due in a lump-sum payment on the expiration of the term.	Medium-term credit loan	3,000,000	1.380%	3,000,000	1.280% ~ 1.380%	2,800,000	1.200% ~ 1.250%

			As of					
			December 31, 2013		December 31, 2012		January 1, 2012	
Banks	Repayment Method	Types	NTD	Interest Rate	NTD	Interest Rate	NTD	Interest Rate
China Development Industrial Bank	The period of the loan is from July 29, 2010 to August 4, 2014.Interest is payable monthly. The principal could be repaid anytime during the period of the loan.	Medium-term credit loan	5,000,000	1.338% ≀ 1.448%	5,000,000	1.311% ≀ 1.343%	4,000,000	1.134% ≀ 1.352%
Taishin Bank	The period of the loan is from December 20, 2011 to December 20, 2013.Interest is payable monthly. The loan was early repaid and renewed according to agreement.	Medium-term credit loan	1,000,000	1.450% ≀ 1.560%	1,000,000	1.290% ≀ 1.450%	1,000,000	1.180% ≀ 1.290%
Industrial Bank of Taiwan	The period of the loan is from July 29, 2010 to December 20, 2013.The period is extended to July 23, 2015.Interest is payable monthly. The repayment of principal will be due in a lump-sum payment on the expiration of the term.	Medium-term credit loan	1,000,000	1.473% ≀ 1.589%	1,000,000	1.589% ≀ 1.636%	1,000,000	1.514% ≀ 1.636%
Ta Chong Bank, Ltd.	The period of the loan is from July 29, 2010 to July 29, 2015.Interest is payable monthly. The repayment of principal will be due in a lump-sum payment on the expiration of the term.	Medium-term credit loan	-	-	1,000,000	1.453% ≀ 1.517%	1,000,000	1.299% ≀ 1.453%
Mega International Commercial Bank	The period of the loan is from August 29, 2011 to October 5, 2014.Interest is payable monthly. The loan was early repaid and renewed according to agreement.	Medium-term credit loan	1,500,000	1.360% ≀ 1.380%	1,820,000	1.064% ≀ 1.380%	640,000	0.887% ≀ 1.636%
Bank SinoPac	The period of the loan is from August 4, 2011 to July 23, 2014.Interest is payable monthly. The loan was early repaid and renewed according to agreement.	Medium-term credit loan	1,500,000	1.440% ≀ 1.441%	1,500,000	1.407% ≀ 1.441%	2,000,000	1.402% ≀ 1.407%
Shanghai Commercial & Savings Bank, Ltd.	The period of the loan is from August 29, 2011 to August 29, 2014.Interest is payable monthly. The loan was early repaid and renewed according to agreement.	Medium-term credit loan	350,000	1.513% ≀ 1.522%	1,900,000	1.485% ≀ 1.513%	1,900,000	1.421% ≀ 1.485%
Taiwan Business Bank	The period of the loan is from August 4, 2011 to August 4, 2014.Interest is payable monthly. The loan was early repaid and renewed according to agreement.	Medium-term credit loan	1,500,000	1.433% ≀ 1.441%	1,500,000	1.397% ≀ 1.433%	1,500,000	1.392% ≀ 1.397%
Jihsun Bank	The period of the loan is from July 28, 2011 to July 4, 2015.Interest is payable monthly. The loan was early repaid and renewed according to agreement.	Medium-term credit loan	650,000	1.254% ≀ 1.355%	700,000	1.220% ≀ 1.254%	700,000	1.208% ≀ 1.218%
Far Eastern International Bank	The period of the loan is from July 28, 2011 to August 31, 2015.Interest is payable monthly. The loan was repaid early and renewed according to agreement.	Medium-term credit loan	-	-	900,000	1.120% ≀ 1.250%	900,000	1.070% ≀ 1.120%
Shin Kong Bank	The period of the loan is from August 29, 2011 to July 6, 2014.Interest is payable monthly. The loan was repaid early and renewed according to agreement.	Medium-term credit loan	500,000	1.270%	500,000	1.240% ≀ 1.270%	500,000	1.220% ≀ 1.240%
En Tie Bank	The period of the loan is from September 17, 2012 to September 17, 2014.Interest is payable monthly. The outstanding balance was fully repaid in September, 2013	Medium-term credit loan	-	-	900,000	1.200% ≀ 1.379%	-	-
Australia and New Zealand Bank	The period of the loan is from June 22, 2002 to November 28, 2014.Interest is payable monthly.	Medium-term credit loan	5,912,500	1.220% ≀ 1.305%	5,912,500	1.305% ≀ 1.440%	-	-

Banks	Repayment Method	Types	As of December 31, 2013 NTD	December 31, 2013 Interest Rate	December 31, 2012 NTD	December 31, 2012 Interest Rate	January 1, 2012 NTD	January 1, 2012 Interest Rate
Union Bank	The period of the loan is from November 7, 2012 to November 7, 2014.Interest is payable monthly. The repayment of principal will be due in a lump-sum payment on the expiration of the term.	Medium-term credit loan	500,000	1.496% ~ 1.496%	1,000,000	1.491%	-	-
Yuanta Commercial Bank	The period of the loan is from March 29, 2013 to December 1, 2015.Interest is payable monthly.	Medium-term credit loan	300,000	1.250%	-	-	-	-
Credit Agricole CIB	The period of the loan is from November 22, 2012 to November 22, 2014.Interest is payable monthly. The outstanding balance was fully repaid in March, 2013	Medium-term credit loan	-	-	3,000,000	1.570%	-	-
China Bills Corporation and the other 3 corporations	(Note 3)	Long-term commercial paper payables	5,994,420	-	5,992,997	-	-	-
Bank SinoPac	The period of the loan is from May 21, 2009 to May 21, 2014.nterest is payable every 3 months. The principal was repaid quarterly in 12 installments.	Medium-term mortgage loan	132,379	1.026%	258,145	1.069%	402,857	2.010%
			87,375,623		106,012,696		87,572,275	
Less: Current portion reclassified to current liability			(37,708,298)		(17,474,694)		(11,016,252)	
Long-term loans - due after one year			$49,667,325		$88,538,002		$76,556,023	

(Note1) The syndicated loan agreement includes the terms requiring the Company to maintain a debt ratio (total liabilities/net assets) under 195% and a current ratio (current assets/ current liabilities) above 100% at each year-end for the duration of the loan. As of December 31, 2013, the Company was in compliance with the covenants.

(Note2) The syndicated loan agreement includes the terms requiring the Company to maintain a debt ratio (total liabilities/net assets) under 200% and a current ratio (current assets/ current liabilities) above 100% at each year-end for the duration of the loan. As of December 31, 2013, the Company was in compliance with the covenants.

(Note3) The Company issued financing commercial papers by signing a non-guaranteed commercial paper revolving issuance agreement and commercial paper underwriting agreement with China Bills Finance Corporation and other securities firms. The obligations is payable in 12 months with a floating rate between 1.18% to 1.30%. In accordance with the agreements, the Company must maintain a twA-1 credit rating from Taiwan Rating Corporation, or equivalent rating from other accredited rating agencies. As of December 31, 2013, the Company met the aforementioned standard, details are as follows:

December 31, 2013	Maturity date of bill	Expiration date of contracts	Rate (%)	Amount NTD
Issuers				
China Bills Finance Corp.	2014.03.14	2015.03.25	1.29	$1,000,000
China Bills Finance Corp.	2014.03.14	2014.03.25(Note1)	1.20	500,000
International Bills Finance Corp.	2014.03.11	2015.03.26	1.30	1,000,000
Mega Bills Finance Corp.	2014.01.15	2014.04.26(Note1)	1.22	1,000,000
Mega Bills Finance Corp.	2014.01.15	2015.04.26	1.30	1,000,000
Grand Bills Finance Corp.	2014.01.13	2015.04.01	1.26	1,000,000
Grand Bills Finance Corp.	2014.01.16	2015.04.01	1.26	500,000
Subtotal				6,000,000
Less : unamortized discount				5,580
Total				$5,994,420

(Note1) Reclassified to current liabilities at end of the period.

December 31, 2012	Maturity date of bill	Expiration date of contracts	Rate (%)	Amount NTD
Issuers				
China Bills Finance Corp.	2013.03.20	2015.03.25	1.29	$1,000,000
China Bills Finance Corp.	2013.03.20	2014.03.25	1.20	500,000
International Bills Finance Corp.	2013.06.14	2015.03.26	1.30	1,000,000
Mega Bills Finance Corp.	2013.04.22	2014.04.26	1.18	1,000,000
Mega Bills Finance Corp.	2013.04.22	2015.04.26	1.26	1,000,000
Grand Bills Finance Corp.	2013.04.18	2015.04.01	1.26	1,000,000
Grand Bills Finance Corp.	2013.04.18	2015.04.01	1.26	500,000
Subtotal				6,000,000
Less : unamortized discount				7,003
Total				$5,992,997

B. The details of long-term loans (including long-term commercial paper payables) as of December 31, 2013 were as follows:

Period	NTD
2014. 01.01~2014.12.31	$37,708,298
2015. 01.01~2015.12.31	35,136,661
2016. 01.01~2016.12.31	13,625,330
2017. 01.01~2017.12.31	905,334
	$87,375,623

C. Refer to Note 8 collateral for long-term loans.

(15) Post-employment benefits

A. Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2013 and 2012 are NT$221,469 thousand and NT$209,485 thousand, respectively.

B. Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

Pension costs recognized in profit or loss for the years ended December 31, 2013 and 2012:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Current period service costs	$53,354	$59,685
Interest cost	62,412	67,443
Actual return on plan assets	(7,961)	(5,731)
(Gain)loss on plan assets	(2,593)	(4,384)
Subtotal	$105,212	$117,013

The benefit expense under the defined benefits plan recognized in the statement of comprehensive income:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Operating costs	$70,369	$83,394
Selling expenses	4,714	5,252
Administrative expenses	30,129	28,367
Total	$105,212	$117,013

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

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
Defined benefits obligation	$3,773,071	$3,801,858	$3,645,575
Plan assets fair value	645,365	622,964	583,938
Funded status	3,127,706	3,178,894	3,061,637
Unrecognized actuarial (gain) and loss	(55,526)	51,966	-
Accrued pension liabilities recognized on the consolidated balance sheets	$3,183,232	$3,126,928	$3,061,637

Changes in present value of the defined benefit obligation are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Defined benefit obligation of January 1,2013	$3,801,858	$3,645,575
Current service costs	53,354	59,685
Interest cost	62,412	67,443
Net liability or asset transfer from employees of the associate	28,696	23,627
Benefits paid	(63,164)	(42,054)
Actuarial losses (gains)	(110,085)	47,582
Defined benefit obligation of December 31,2013	$3,773,071	$3,801,858

Changes in fair value of plan assets are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Plan assets, at fair value of January 1,2013	$622,964	$583,939
Expected return on plan assets	10,554	10,115
Contributions by employer	77,426	71,967
Benefits paid	(62,986)	(38,673)
Actuarial gains (losses)	(2,593)	(4,384)
Plan assets, at fair value of December 31,2013	$645,365	$622,964

The Group expects to contribute NT$106,070 thousand to its defined benefit plan during the 12 months beginning after December 31, 2013.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as of		
	December 31, 2013	December 31, 2012	January 1, 2012
Cash	25.20	34.39	27.14
Equity instruments	15.62	18.91	20.18
Debt instruments	13.58	10.45	9.65
Others	45.60	36.25	43.03

The actual return from plan assets for the years ended December 31, 2012 and 2013 are NT$7,961 thousand and NT$5,731 thousand, respectively.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

The principal assumptions used in determining the Group's defined benefit plan are shown below:

	As of		
	December 31, 2013	December 31, 2013	January 1, 2013
Discount rate	1.65%	1.85%	1.88%
Expected rate of return on plan assets	1.65%	1.65%	1.50%
Expected rate of salary increases	2.50%	2.50%	1.50%

The percentage point change in discount rate on defined benefit obligation:

	2013		2012	
	Discount rate increase by 0.25%	Discount rate decrease by 0.25%	Discount rate increase by 1%	Discount rate decrease by 1%
Effect on the defined benefit obligation	-4.39	5.55	-2.08	2.13

Other information on the defined benefit plan is as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Defined benefit obligation at present value	$3,773,071	$3,801,858
Plan assets at fair value	645,365	622,964
Surplus (deficit) in plan	$3,127,706	$3,178,894
Experience adjustments on plan liabilities	$84,296	$47,582
Changes in actuarial assumptions	$(194,381)	$-
Experience adjustments on plan assets	$2,593	$4,384

(16) Equities

A. Common stock

The Company's authorized and issued capital all amounted to NT$95,259,597 thousand and consisted of 9,525,960 thousand shares at $10 par value each as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. Each share has one vote and the right to receive dividends.

B. Capital surplus

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

	As of		
	December 31, 2013	December31, 2012	January 1, 2012
	NTD	NTD	NTD
Additional paid-in capital-premium in excess of the par value of shares issued	$24,864,000	$24,864,000	$24,864,000
Additional paid-In capital-bond conversion	6,379,284	6,379,284	6,379,284
Joint venture and associates change in equity under equity method	84,094	-	-
Total	$31,327,378	$31,243,284	$31,243,284

C. Retained earnings and dividend policies

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

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

The above special reserve includes:

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

The Company shall set aside 0.1%~0.5% of the appropriable after-dividend earnings as employees' bonuses, which is recognized as expense.

The Company's business is in its maturity stage. The dividend policy as set forth in the Articles of Incorporation provides that the Company may distribute earnings in the form of cash dividends, stock dividends or a combination of both. After making provisions for the legal reserve and special reserve, the earnings shall be first used to distribute cash dividends. The annual total amount of earnings distributed should be at least 50% of the earnings available for distribution, provided that the total amount of earnings and capital surplus capitalized do not exceed 50% of the total dividends distributed in the current year.

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

When distributing distributable earnings for the years ended 2012 and 2011, the Company set aside special reserve, for other net deductions from shareholders' equity of the period.

For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

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

For the year ended December 31, 2013 and 2012, the estimations of employees' bonuses were NT$5,000 thousand and NT$100 thousand respectively, recognized as the Company's operating expenses. As provided by the Company's Articles of Incorporation, it shall set aside 0.1% of the period's appropriated after dividend earnings. If there is a difference between the estimate and the actual paid amount, it will be recorded in the next year's profit or loss.

For the years ended 2013 and 2012, the details of earnings distribution and dividends per share as proposed by the board of directors meeting on March 20, 2014 and the resolved by shareholder's meeting on June 10, 2013, respectively, were as follows:

	Appropriation of earnings		Dividend per share	
	2012	2011	2012	2011
Legal reserve	$2,685,826	$273,706		
Common stock -cash dividend	23,814,899	2,476,750	$2.50	$0.26
Total	$26,500,725	$2,750,456		

As of December 31, 2012, the estimated employees' bonus was NT$100 thousand and the board proposed distribution of the amount of NT$166 thousand, pending shareholders' meeting with an additional NT$66 thousand, which was recorded under 2013 income statement.

Information about earnings appropriation and the bonus to employees is available on the Market Observation Post System website of the Taiwan Stock Exchange.

D. Non-controlling interests

	For the years ended December 31	
	2013	2012
	NTD	NTD
Beginning balance	$31,462	$38,136
Cash dividend declared by subsidiaries	(1,956)	(9,097)
Net Income	1,038	2,373
Other comprehensive income attributed to the non-controlling interest	42	50
Ending balance	$30,586	$31,462

(17) Operating revenues

	For the years ended December 31, 2013	For the years ended December 31, 2012
	NTD	NTD
Net sales		
Gasoline	$131,871,210	$135,062,044
Petrochemical products (ethylene and propylene, etc.)	252,388,277	238,301,519
Diesel oil	245,562,494	234,122,702
Jet fuel	60,195,507	53,231,382
Others	196,248,308	190,348,492
Subtotal	886,265,796	851,066,139
Service revenues	1,305,435	1,246,565
Other operating revenues, net		
Electricity	27,883,812	24,280,012
Steam	14,228,487	16,128,780
Others	1,650,360	1,656,225
Subtotal	43,762,659	42,065,017
Total	$931,333,890	$894,377,721

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

Function / Description	For the year ended December 31, 2013			For the year ended December 31, 2012		
	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)
Employee benefits expense						
Salaries and wages	3,717,708	2,479,917	6,197,625	3,379,254	2,195,148	5,574,402
Labor and health insurance	276,786	177,417	454,203	247,484	152,482	399,966
Pension	207,454	119,227	326,681	208,860	117,638	326,498
Other employee benefits Expense	105,642	50,973	156,615	81,765	50,806	132,571
Subtotal	4,307,590	2,827,534	7,135,124	3,917,363	2,516,074	6,433,437
Depreciation and depletion	20,831,156	1,263,997	22,095,153	22,471,452	1,288,233	23,759,685
Amortization	3,154,288	125,644	3,279,932	2,993,893	125,644	3,119,537

(19) Non-operating income and expenses

A. Other income

	For the year ended December 31, 2013	For the year ended December 31,2012
	NTD	NTD
Rental income	$1,365,824	$1,358,036
Interest income	467,236	251,573
Others	1,779,182	2,019,787
Dividend Income	288,415	1,161,418
Total	$3,900,657	$4,790,814

B. Other gains and losses

	For the year ended December 31, 2013	For the year ended December 31,2012
	NTD	NTD
Gains (losses) on disposal of property, plant and equipment	$(43,634)	$(9,688)
Foreign exchange losses (gains),net	4,136,118	1,464,890
Impairment losses		
Investment property	(1,339)	(19,660)
Exploration and evaluation assets	(16,909)	-
Financial assets-other	(21,637)	-
Gains (losses) on financial assets at fair value through profit or loss	1,303,812	(949,457)
Other gains and losses- Others	(504,515)	(458,371)
Total	$4,851,896	$27,714

C. Finance costs

	For the year ended December 31, 2013 NTD	For the year ended December 31,2012 NTD
Interest on borrowings from bank	$1,534,643	$1,411,058
Interest on bonds payable	1,348,230	1,389,937
Interbank loans with interest	25,470	108,995
Interest for lease	262,539	255,741
Other interest expenses	153,789	302,903
Total finance costs	$3,324,671	$3,468,634

(20) Components of other comprehensive income

For the year ended December 31, 2013

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$16,191	$-	$16,191	$-	$16,191
Unrealized gains (losses) from available-for-sale financial assets	9,193,855	-	9,193,855	-	9,193,855
Cash flow hedge	99,925	(29,365)	70,560	(11,995)	58,565
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	348,739	-	348,739	-	348,739
Total of other comprehensive income	$9,658,710	$(29,365)	$9,629,345	$(11,995)	$9,617,350

For the year ended December 31, 2012

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$(23,563)	$-	$(23,563)	$-	$(23,563)
Unrealized gains (losses) from available-for-sale financial assets	346,487	-	346,487	-	346,487
Cash flow hedge	176,857	-	176,857	(30,067)	146,790
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(206,968)	-	(206,968)	-	(206,968)
Total of other comprehensive income	$292,813	$-	$292,813	$(30,067)	$262,746

(21) Income taxes

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

Income tax expense (income) recognized in profit or loss

	For the year ended December 31, 2013	For the year ended December 31,2012
	NTD	NTD
Current income tax expense (income):		
Current income tax charge	$2,971,452	$3,044
Adjustments in respect of current income tax of prior periods	24,683	(7,725)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	671,881	189,371
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	553,766	(499,321)
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(65,209)	37,377
Total income tax expense (income)	$4,156,573	$(277,254)

Income tax relating to components of other comprehensive income

	For the year ended December 31, 2013	For the year ended December 31,2012
	NTD	NTD
Deferred tax expense (income):		
Cash flow hedge	$11,995	$30,067

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
	NTD	NTD
Accounting profit (loss) before tax from continuing operations	$31,015,874	$2,440,844
The parent company statutory income tax rate of 17% per	5,267,748	424,903
Tax effect of revenues exempt from taxation	(813,640)	(533,074)
Tax effect of expenses not deductible for tax purposes	283,304	8,354
Tax effect of deferred tax assets/liabilities	(625,303)	(294,784)
10% surtax on undistributed retained earnings	-	119,692
Operations in other tax jurisdictions individual effects of different tax rates applicable	9,397	5,461
Adjustments in respect of current income tax of prior periods	24,683	(7,725)
Other income tax adjustments	10,384	(81)
Total income tax expense (income) recognized in profit or loss	$4,156,573	$(277,254)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2013

	Beginning balance as of January 1, 2013	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2013
Temporary differences				
Depreciation difference for tax purpose	$4,991,375	$(394,067)	$-	$4,597,308
Revaluations of financial assets at fair value through profit or loss	107,179	(257,224)	-	(150,045)
Foreign currency assets / liabilities losses (gains)	(211,661)	19,622	-	(192,039)
Accrued pension liabilities	500,776	5,761	-	506,537
Inventory evaluation	94,416	(55,760)	-	38,656
Hedging derivative financial instruments sharing the same period	10,520	-	(11,995)	(1,475)
Reserve for loss in outward investment	(4,052)	4,052	-	-
Others	(5,475)	70,944	-	65,469
Unused tax losses	78,390	(67,650)	-	10,740
Unused tax credits	1,400,359	(486,116)	-	914,243
Deferred tax income (expense)		$(1,160,438)	$(11,995)	
Net deferred tax assets (liabilities)	$6,961,827			$5,789,394
Reflected in balance sheet as follows:				
Deferred tax assets	$7,269,987			$6,159,562
Deferred tax liabilities	$(308,160)			$(370,168)

For the year ended December 31, 2012

	Beginning balance as of January 1, 2012	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2012
Temporary differences				
Depreciation difference for tax purpose	$5,050,106	$(58,731)	$-	$4,991,375
Revaluations of financial assets at fair value through profit or loss	2,096	105,083	-	107,179
Foreign currency assets / liabilities losses (gains)	(12,358)	(199,303)	-	(211,661)
Accrued pension liabilities	492,717	8,059	-	500,776
Inventory evaluation	104,568	(10,152)	-	94,416
Hedging derivative financial instruments sharing the same period	40,587	-	(30,067)	10,520
Reserve for Loss in Outward Investment	(13,401)	9,349	-	(4,052)
Others	75,578	(81,053)	-	(5,475)
Unused tax losses	41,565	36,825	-	78,390
Unused tax credits	937,863	462,496	-	1,400,359
Deferred tax income (expense)		$272,573	$(30,067)	
Net deferred tax assets (liabilities)	$6,719,321			$6,961,827
Reflected in balance sheet as follows:				
Deferred tax assets	$6,841,304			$7,269,987
Deferred tax liabilities	$(121,983)			$(308,160)

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

		Unused tax losses as of			
		December 31, 2013	December 31, 2012	January 1, 2012	
Year	Tax losses for the period	NTD	NTD	NTD	Expiration year
Formosa Oil (Asia Pacific) Corporation					
2008	$100,349	$-	$-	$37,170	2018
2009	169,633	63,179	139,565	169,633	2019
FPCC USA, INC.					
2007	9,049	8,575	8,575	9,049	2027
2008	63,856	63,856	63,856	63,856	2028
2009	208,119	208,119	208,119	208,119	2029
2010	30,555	30,555	30,555	30,555	2030
2011	173,372	173,372	173,372	173,372	2031
2013	62,368	62,368	-	-	2033
		$610,024	$624,042	$691,754	

Details of the Group's unused tax credit are as follows:

Laws and regulations	Items	Unused tax credits as of December 31, 2013 NTD	December 31, 2012 NTD	January 1, 2012 NTD	Expiration year
The statute for upgrading industries article 6	Investment tax credit relates to machinery and equipments	$-	$-	$775	2012
The statute for upgrading industries article 6	Investment tax credit relates to machinery and equipments	-	321	580	2013
The statute for upgrading industries article 6	Investment tax credit relates to machinery and equipments	273	137	273	2014
The statute for upgrading industries article 7	Investment in specific regions	-	307,083	413,206	2014
The statute for upgrading industries article 7	Investment in specific regions	31,580	549,915	551,892	2015
The statute for upgrading industries article 7	Investment in specific regions	-	36,143	-	2016
The statute for upgrading industries article 7	Investment in specific regions	285,683	-	-	2017
The statute for upgrading industries article 8	Investment tax credit relates to important investment undertaking shareholder	532,871	532,871	-	2016
The statute for upgrading industries article 8	Investment tax credit relates to important investment undertaking shareholder	89,373	-	-	2017
		$939,780	$1,426,470	$966,726	

According to Article 9-2 of the Statute for Upgrading Industries, the Company's award categories and standards meet the tax exemption requirement under the Statute. The Company was exempt from profit-seeking enterprise income tax for five years. The Industrial Development Bureau, Ministry of Economic Affairs approved the exemption of five years by Order Gong-Zhong-Zi. No. 10205101270 (from January 1, 2013 to December 31, 2017).

Unrecognized deferred tax assets

As of December 31, 2013, December 31, 2012, and January 1, 2012, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amount to NT$25,537 thousand, NT$127,179 thousand and NT$146,281 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2013, December 31, 2012 and January 1, 2012, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, aggregated to NT$0 thousand.

Imputation credit information

	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Balances of imputation credit amounts	$3,137,171	$3,009,597	$4,101,288

The expected creditable ratio for 2013 and the actual creditable ratio for 2012 were 11.69% and 11.87%, respectively.

The Company's retained earnings prior to 1997 are NT$70,699 thousand.

The assessment of income tax returns

As of December 31, 2013, the assessment of the income tax returns of the Company and its subsidiaries was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2011
Subsidiary- Formosa Oil (Asia Pacific) Corporation	Assessed and approved up to 2010
Subsidiary- Formosa Petrochemical Transportation Corporation	Assessed and approved up to 2011

(22) Earnings per share

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
	NTD	NTD
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$26,858,263	$2,715,725
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	9,525,960	9,525,960
Basic earnings per share	$2.82	$0.29

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

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions with related parties

A. Sales

	For the year ended December 31, 2013	For the year ended December 31,2012
	NTD	NTD
Entity with joint control or significant influence over the Company	$366,277,481	$337,490,463
Associate	7,070,702	5,770,798
Joint venture	7,925,070	5,652,995
Subsidiary	-	518,913
Others	56,822,875	56,842,544
Total	$438,096,128	$406,275,713

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

B. Purchase

	For the year ended December 31, 2013	For the year ended December 31, 2012
	NTD	NTD
Entity with joint control or significant influence over the Company	$53,974,786	$51,763,661
Others	1,161,034	1,358,440
Total	$ 55,135,820	$53,122,101

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

C. Notes Receivables – related parties

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Others	$-	$2,523,618	$2,483,013
Less: allowance for doubtful debts	-	-	-
Net	$-	$2,523,618	$2,483,013

D. Accounts Receivables – related parties

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Entity with joint control or significant influence over the Company	$37,867,694	$33,204,382	$25,219,786
Associate	650,691	593,108	195,239
Joint venture	680,748	548,147	403,546
Subsidiary	-	51,932	55,201
Others	4,977,584	4,885,682	4,125,583
Total	44,176,717	39,283,251	29,999,355
Less: allowance for doubtful debts	-	-	-
Net	$44,176,717	$39,283,251	$29,999,355

E. Accounts Payables – related parties

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

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Entity with joint control or significant influence over the Company	$5,735,109	$5,104,025	$2,928,518
Joint venture	5,310	-	-
Associate	53,289	44,670	-
Others	124,788	143,838	105,293
Total	$5,918,496	$5,292,533	$3,033,811

F. Transaction of property, plant and equipment

(a) Commissioned construction

		As of		
		December 31, 2013	December 31, 2012	January 1, 2012
	Items	NTD	NTD	NTD
Entity with joint control or significant influence over the Company	Maintenance	$18,961	$85,016	$31,956
Entity with joint control or significant influence over the Company	Expansion of facilities	187,778	-	74,500
Others	Maintenance	196,961	472,911	399,860
Others	Expansion of facilities	609,015	401,755	74,400
Total		$1,012,715	$959,682	$580,716

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

(b) There is no Transaction of property, plant and equipment with affiliates for the year ended December 31, 2013.The Company sold the computer equipments to Nan Ya Plastics Corporation for NT$23 thousand, resulted in a gain on disposal for NT$2 thousand for the year ended December 31, 2012.

G. Financing

(a) Other receivables - due from affiliates

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Associate	$140,000	$250,000	$-
Subsidiary	100	24,300	-
Others	3,100,000	1,330,000	170,000
Total	$3,240,100	$1,604,300	$170,000

The lending terms to the associates were in accordance with the contract schedule after the loan is extended. For the years ended December 31, 2013 and 2012, interest receivables from related parties were NT$36,250 thousand and NT$16,449 thousand, respectively, at interest rates of 1.613%~1.648% and 1.609%~1.646%, respectively.

(b) Other payables-due to affiliates

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Entity with joint control or significant influence over the Company	$-	$1,000,000	$13,500,000
Associate	-	-	200,800
Total	$-	$1,000,000	$13,700,800

The lending terms to the related parties were in accordance with the contract schedule after the loan is extended. For the years ended December 31, 2013 and 2012, interest payables from related parties were NT$24,887 thousand and NT$109,424 thousand, respectively. And interest paid at interest rates of 1.613%~1.648% and 1.609%~1.646%, respectively.

H. Other receivables, other payables and revenues received in advance

Receivables from / payables to related parties bear no interest.

(a) Other receivables - sale of raw materials, etc.

	As of					
	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount NTD	%	Amount NTD	%	Amount NTD	%
Entity with joint control or significant influence over the Company	$39,742	0.20	$68,336	0.26	$26,112	0.35
Associate	71,939	0.36	174,159	0.65	98,454	1.32
Subsidiary	-	-	15,637	0.06	-	-
Joint venture	181	-	53	-	3,939	0.05
Others	4,280	-	1,714	-	9,411	0.13
Total	$116,142	0.56	$259,899	0.97	$137,916	1.85

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

(b) Other payables

	As of					
	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount NTD	%	Amount NTD	%	Amount NTD	%
Associate	$30,608	0.30	$-	-	$-	-
Others	197,129	1.94	481,872	16.89	49,278	0.33
Total	$227,737	2.24	$481,872	16.89	$49,278	0.33

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

I. Other related party transactions

(a) Use of labor

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

	Items	For the year ended December 31, 2013 NTD	For the year ended December 31, 2012 NTD
Associates	Harbor Labor force	$1,611,467	$1,439,114
Joint venture	Refuel	56,625	52,420
Others	Labor force	2,008	2,063
	Total	$1,670,100	$1,493,597

The payments include harbor usage, towage, and fuel delivery. The payment is mutually agreed to made in the following month by the monthly total.

(b) Rental expenses

Details of the office premises leased from related parties are as follows:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Amount NTD	%	Amount NTD	%
Entity with significant influence over the Company	$52,708	4.88	$52,708	4.58

Rents of the office premises leased from related parties are based on the local standard, and are payable semi-annually.

(c) Capital lease

Simosa Shipping Co. Ltd. leased vessel and equipment to the Company.The leased term is from January 2012 to December. 2026 at USD33,500 per month. When the lease expires, the ownership of the shipping equipment will transfer to the Company. The derail of reconciliation of lease obligation is as follows:

	As of					
	December 31, 2013		December 31, 2012		January 1, 2012	
	Minimum payment	Present value of payment	Minimum payment	Present value of payment	Minimum payment	Present value of payment
Not later than one year	$366,214	$112,198	$356,260	$99,313	$-	$-
Later than one year and not later than five years	1,465,858	572,786	1,426,018	507,005	-	-
Later than five years	2,920,679	2,043,981	3,197,559	2,147,791	-	-
Total minimum lease payments	4,752,751	2,728,965	4,979,837	2,754,109	-	-
Less: finance charges on finance lease	(2,023,786)	-	(2,225,728)	-	-	-
Present value of minimum lease payments	$2,728,965	$2,728,965	$2,754,109	$2,754,109	$-	$-

(d) Notes endorsements and guarantees

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Associates	$99,000	$99,000	$99,000
Subsidiary	40,000	40,000	40,000
Total	$139,000	$139,000	$139,000

(e) Rental income

The following sets forth rental income the Company derived from the leasing oil storage facilities to related parties:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Amount NTD	%	Amount NTD	%
Entity with significant influence over the	$103,265	7.56	$98,704	7.26
Associates	13,288	0.97	11,760	0.87
Joint venture	4,906	0.36	-	-
Total	$121,459	8.89	$110,464	8.13

J. Key management personnel compensation

	For the year ended December 31, 2013 NTD	For the year ended December 31, 2012 NTD
Short-term employee benefits	$88,436	$75,704

8. PLEDGED ASSETS

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

Pledged Assets	Contents	As of December 31, 2013 NTD	As of December 31, 2012 NTD	As of January 1, 2012 NTD
Inventories	Crude oil and petroleum Products	$47,788,357	$51,225,965	$66,658,901
Other financial assets – current	Stock of Nan Ya Plastics Corporation-79,500 in thousand shares	$5,477,550	$4,452,000	$4,777,950
Other financial assets – current	Certificates of time deposit	2,150	19,008	9,008
Other financial assets – current	Security deposit	-	13,500	-
	Total	$5,479,700	$4,484,508	$4,786,958
Other financial assets-non-current	Stock of Nan Ya Plastics Corporation-2,256 in thousand shares	$155,438	$97,776	$104,935
Other financial assets-non-current	Stock of Formosa Chemicals & Fiber Corporation-36 in thousand shares	3,024	2,700	2,876
	Total	$158,462	$100,476	$107,811
Property, plant and equipment	Land	$19,118,886	$19,118,886	$19,118,886
	Plant	13,507,271	14,362,697	15,232,589
	Machinery and equipment	81,910,109	99,040,884	115,399,435
	Transportation equipment	397,423	421,783	466,596
	Other equipment	330,376	373,823	70,508
	Total	$115,264,065	$133,318,073	$150,288,014

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2013, the Company and subsidiaries' commitments and contingent liabilities were as follows:

(1) Finance lease commitments：Please refer to related Note 7 (9) c.

(2) Guarantee notes received from counterparties as collateral for payment, construction completion commitment and others for operational needs were NT$1,973,405 thousand.

(3) Guarantee notes issued for borrowings (financing) were NT$247,006,024 thousand.

(4) The unutilized portions of letters of credit issued by banks for importing raw materials was NT$19,806,024 thousand.

10. SIGNIFICANT DISASTER LOSSES

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

(1)Corporate bond issuance

For the purpose of securing long-term liquidity and to meet the Company's upcoming financing obligations, the Company plan to issue $6 billion unsecured ordinary corporate bondsin 2014, in accordance with the resolution reached in the board meeting on March 20, 2014. The terms of the bonds are:

① Issue amount: no more than $6 billion with a par value of $1million.
② Duration: issued in phases based on market conditions.
③ Coupon rate: fixed rate or floating rate applicable.
④ Repayment: by installment or a lump-sum payment.

(2)Investments

To meet the needs of investing in mineral resources, the Company's investee, Formosa Resources Corporation, will increase its investment from $12 billion to $16.65 billion. The Company intends to keep original shareholding percentage of 25%, so it will increase an additional $1.1625 billion. After the additional investment, the cumulative total investment in the Formosa Resources Corporation will be $4.1625 billion.

12. OTHERS

(1) Categories of financial instruments

	As of		
Financial Assets	December 31, 2013	December 31, 2012	January 1, 2012
	NTD	NTD	NTD
Financial assets at fair value through profit or loss:	$882,620	$-	$-
Held for trading (including $1,445,787 thousand reported as financial assets measured at cost in balance sheet)	38,345,670	30,235,587	27,305,815
Loans and receivables:			
Cash and cash equivalents (exclude cash on hand)	16,585,233	21,097,630	32,413,553
Notes receivable	84,953,379	79,258,618	64,587,702
Subtotal	101,538,612	100,356,248	97,001,255
Derivative financial assets for hedging	8,671	-	24,012
Subtotal	8,671	-	24,012
Total	$140,775,573	$130,591,835	$124,331,082

Financial Liabilities			
Short-term borrowings	$28,906,373	$25,184,590	$21,084,689
Short-term notes payable	3,300,000	13,000,000	10,100,000
Trade and other payables	12,806,918	15,317,453	18,739,458
Bonds payable	86,000,000	81,000,000	72,000,000
Long-term borrowings	87,375,623	106,012,696	87,572,275
Subtotal	218,388,914	240,514,739	209,496,422
Financial liabilities at fair value through profit or loss	-	630,463	12,331
Derivative financial liabilities for Hedging	-	138,243	339,112
Subtotal	-	768,706	351,443
Total	$218,388,914	$241,283,445	$209,847,865

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

When NT dollars strengthens/weakens against US dollars by NT$1, the profit for the years ended December 31, 2013 and 2012 increases/decreases by NT$946,841 thousand and NT$505,715 thousand, respectively.

Interest rate risk

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

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 25 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2013 and 2012 to increase/decrease by NT$239,440 thousand and NT$243,296 thousand, respectively.

Equity price risk

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

The Group did not hold for trading any listed and OTC equity securities.

When the price of the listed equity securities classified as available-for-sale decreases 1%, it could have impacts of NT$368,999 thousand and $287,898 thousand for the years ended December 31, 2013 and 2012, respectively, on the profit/loss or equity attributable to the Group. An increase of 1% in the value of the listed securities would only impact equity but would not have an effect on profit or loss.

(4) Credit risk management

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

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

As of December 31, 2013, December 31, 2012 and January 1, 2012, accounts receivables from top ten customers represented 66.77%, 68.93% and 68.56% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
December 31, 2013							
Borrowings	67,387,531	35,579,383	13,797,009	916,741	-	-	117,680,664
Notes payable	3,300,000	-	-	-	-	-	3,300,000
Accounts and other payable	12,806,918	-	-	-	-	-	12,806,918
Bonds payable	18,279,000	21,325,500	14,978,625	12,744,525	10,205,775	9,799,575	87,333,000
Lease payable	366,214	366,214	367,217	366,214	366,214	2,920,679	4,752,752
Other liabilities	-	-	-	-	-	-	-
December 31, 2012							
Borrowings	42,896,019	71,945,031	12,182,906	4,687,772	917,556	-	132,629,284
Notes payable	13,000,000	-	-	-	-	-	13,000,000
Accounts and other payable	15,317,453	-	-	-	-	-	15,317,453
Bonds payable	15,267,000	18,320,400	21,373,800	15,012,550	5,852,350	6,615,700	82,441,800
Lease payables	356,260	356,260	356,260	357,236	356,260	3,197,559	4,979,835
Other liabilities	1,016,275	-	-	-	-	-	1,016,275
January 1, 2012							
Borrowings	32,366,976	48,308,934	18,881,256	4,680,371	4,680,371	916,107	109,834,015
Notes payable	10,100,000	-	-	-	-	-	10,100,000
Accounts and other payables	18,739,458	-	-	-	-	-	18,739,458
Bonds payables	9,178,200	15,297,000	18,356,400	21,415,800	9,178,200	-	73,425,600
Other liabilities	13,890,156	-	-	-	-	-	13,890,156

Derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2013					
Inflows	$891,291	$-	$-	$-	$891,291
Outflows	-	-	-	-	-
Net	$891,291	$-	$-	$-	$891,291
December 31, 2012					
Inflows	$-	$-	$-	$-	$-
Outflows	(348,434)	(420,272)	-	-	(768,706)
Net	$(348,434)	$(420,272)	$-	$-	$(768,706)
January 1, 2012					
Inflows	$24,012	$-	$-	$-	$24,012
Outflows	-	(351,443)	-	-	(351,443)
Net	$24,012	$(351,443)	$-	$-	$(327,431)

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

(6) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

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

a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value.

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

c. Fair value of equity instruments without market quotations (including unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as recent fund raising activities, valuation of similar companies, individual company's development, market conditions and other economic indicators.

d. The fair value of long-term borrowing is determined using discounted cash flow analysis, the interest rate and discount rate are selected with reference to those of similar financial instruments. However, the long-term interest rate is a floating interest rate, then the fair value is also approximately equal to the book value.

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

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value:

(c) Assets measured at fair value

The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$882,620	$-	$-	$882,620
Available-for-sale financial assets	-	-	-	-
Stock	22,845,562	13,993,274	-	36,838,836
Funds	61,047	-	-	61,047
Derivative financial Assets for hedging				
Energy commodity swap contracts	-	8,671	-	8,671
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Interest rate swap	$-	$-	$-	$-
Derivative financial Liabilities for hedging				
Interest rate swap	-	-	-	-

December 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$-	$-	$-
Available-for-sale financial assets				
Stock	20,005,121	8,723,986	-	28,729,107
Funds	60,693	-	-	60,693
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$-	$625,640	$-	$625,640
Interest rate swap	-	4,823	-	4,823
Derivative financial Liabilities for hedging				
Interest rate swap	-	138,243	-	138,243
Energy commodity swap contracts	-	-	-	-

January 1, 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$-	$-	$-
Available-for-sale financial assets				
Stock	20,529,802	5,269,953	-	25,799,755
Funds	60,273	-	-	60,273
Derivative financial Assets for hedging				
Interest rate swap	-	-	-	-
Energy commodity swap contracts	-	24,012	-	24,012
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Interest rate swap	$-	$12,331	$-	$12,331
Derivative financial Liabilities for hedging				
Interest rate swap	-	339,112	-	339,112
Energy commodity swap contracts	-	-	-	-

The securities of Nan Ya Technology Corporation that the Group holds have passed lock-up period for the year ended December 31, 2014. Therefore fair value measurements were transferreds between Level 1 and Level 2.

The Group has no financial assets measured by Level 3 fair value measurements should be adjusted.

(7) Derivatives financial instruments the Group holds for trading include interest rate swaps, futures and non-deliverable forward contracts, energy commodity contracts and forward foreign exchange contracts. Please refer to Note 6 (3) and (4) for related information.

(8) Significant assets and liabilities denominated in foreign currencies

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

	December 31, 2013			December 31, 2012			January 1, 2012		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary items:									
USD	$1,401,075	29.95	$41,962,195	$1,710,513	29.136	$49,837,507	$1,856,200	30.29	$56,224,299
EUR	19	41.24	792	26	38.48	992	809	39.22	31,720
YEN	8,452	0.285	2,405	7,688	0.34	2,614	9,575	0.39	3,729
Non-monetary items:									
USD	$227,008	29.95	$6,798,900	$127,509	29.136	$3,715,102	$3,279	30.29	$99,327
EUR	-	-	-	-	38.48	-	160	39.22	6,291
Long-term equity investments-equity method									
USD	$537,633	29.95	$16,102,105	$261,917	29.136	$7,631,214	$115,595	30.29	$3,501,370
Financial liabilities									
Monetary items:									
USD	$1,644,796	29.95	$48,768,200	$1,395,850	29.136	$40,669,486	$1,481,885	30.29	$44,886,289
EUR	1,583	41.24	65,273	1,629	38.48	62,686	1,392	39.22	64,276
YEN	183,468	0.285	52,288	15,384	0.34	5,230	103,816	0.39	40,426

(9) Capital management

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

13. OTHER DISCLOSURE

(1) Significant transaction information

A. Financings provided to others

No (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period(Approved by the Board)	Ending Balance (Approved by the Board)	Amount Actually Drawn	Interest Rate%	Nature of Financing (Note 3)	Transaction Amount		Reason for Financing	Allowance for Bad Debt	Collateral		Limit of Financing Amount for Individual Counterparty	Limit of Total Financial Amount for Financing Company
										Purchases	Sales			Item	Value		
0	The Company	Formosa Oil (Asia Pacific) Corporation (Note 4)	Other receivables from related parties	Yes	1,000,000	1,000,000	-	-	(2)	-	$19,929,470	Need for operating	N/A	N/A	N/A	Financing to individual entity is limited to 10% of the Company's net asset 24,034,120 thousand; financing to related party and party with business transaction is limited to 25% of the Company's net asset 60,085,300 thousand; financing to others is limited to 20% of the Company's net asset 48,068,240 thousand.	Financing to others is limited to 50% of the Company's net asset 120,170,601thousand; financing to nonbusiness but in need for capital is limited to 40% of the Company's net asset 96,136,480 thousand.
0	The Company	Formosa Plastics Corporation	Other receivables from related parties	Yes	7,000,000	4,500,000	-	1.626~ 1.647	(2)	11,367,156	116,739,278	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Chemicals & Fiber Corporation	Other receivables from related parties	Yes	7,000,000	4,500,000	-	1.644~ 1.647	(2)	41,039,395	196,244,372	Need for operating	N/A	N/A	N/A		
0	The Company	Nan Ya Plastics Corporation	Other receivables from related parties	Yes	9,000,000	4,500,000	-	1.626~ 1.648	(2)	1,568,325	53,293,831	Need for operating	N/A	N/A	N/A		
0	The Company	Nan Ya Photonics Inc.	Other receivables from related parties	Yes	600,000	300,000	300,000	1.613~ 1.648	(2)	22,044	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Marine Corporation	Other receivables from related parties	Yes	290,000	100,000	100,000	1.613~ 1.648	(2)	-	49,073	Need for operating	N/A	N/A	N/A		
0	The Company	Nan Ya Technology Corporation	Other receivables from related parties	No	16,000,000	13,300,000	10,800,000	1.613~ 1.648	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Development Corporation	Other receivables from related parties	Yes	300,000	40,000	40,000	1.644~ 1.648	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Mai-Liao Power Corporation	Other receivables from related parties	No	3,500,000	1,750,000	-	-	(2)	-	188,235	Need for operating	N/A				
0	The Company	Formosa Plastic Transport Corporation	Other receivables from related parties	No	6,680,440	6,025,500	2,695,500	0.778~ 1.647	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Ocean Group Marine Investment	Other receivables from related parties	No	756,620	734,075	554,075	0.778~ 1.647	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Heavy Industries Corporation	Other receivables from related parties	Yes	8,400,000	7,300,000	2,800,000	1.613~ 1.648	(2)	-	13,549	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Petrochemical Transportation Corporation (Note 4)	Other receivables from related parties	Yes	250,000	250,000	-	-	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Dredging Corporation (Note 4)	Other receivables from related parties	Yes	200,000	200,000	77,870	0.778~ 1.647	(2)	-	-	Need for operating	N/A	N/A	N/A		
					Total	44,499,575	17,367,445										

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

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

Note 3: Nature of financing is coded as follows:

(1) The financing occurred due to business transactions

(2) The financing occurred due to short-term financing

Note 4: All transactions listed above are eliminated in the consolidated financial statements.

English Translation of Financial Statements Originally Issued in Chinese

B. Endorsement/guarantee provided to others

No. (Note1)	Endorser/ Guarantor	Receiving Party Company Name	Receiving Party Relationship (Note2)	Limit of the Endorsement/ Guarantee Amount for Receiving Party	Maximum Balance for the Period	Ending Balance	Actual Amount Borrowed	Amount of Collateral	Percentage (Note 3)	Limit on the Endorsement/Guarantee Amount	Parent Company Endorsed/Guaranteed for the Subsidiaries	Subsidiaries Endorsed/Guaranteed for the Parent Company	Endorsement or Guarantee for Entities in China
0	The Company	Simosa Oil Corporation	(1)	$156,221,781	$99,000	$99,000	$99,000	N/A	0.04	The Company may provide endorsement/guarantee to others but shall not exceed 130% of its net assets 312,443,561 thousand. For endorsement/guarantee to individual entity, the amount is limited to 50% of the Company's net assets.	N	N	N
0	The Company	Formosa Oil (Asia Pacific) Corporation	(2)	$156,221,781	90,000	90,000	90,000	N/A	0.02	〃	Y	N	N

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note 2: 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: The percentage is calculated by the amount of accumulated endorse/guarantee amount to net assets value from the latest financial statements.

C. Securities held as of 31 December 2013 (not including subsidiaries, associates and joint ventures)

Shares: In thousand

Company	Type and Name of the Securities (Note 1)	Relationship (Note 2)	Financial Statement Account	As of 31 December 2013 Shares	Carrying Value	Percentage of Ownership (%)	Market Value	Note
The Company	Stock －Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	Available-for-sale financial assets - current	131,460	10,582,559	-	80.50	
The Company	Stock －Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	Available-for-sale financial assets - current	97,458	6,714,885	-	68.90	(Note 3)
The Company	Stock －Formosa Chemicals & Fiber Corporation	Entity with joint control or significant influence over the Company	Available-for-sale financial assets - current	48,532	4,076,652	-	84.00	(Note 3)
The Company	Stock －National Petroleum Co., Ltd.	Others	Available-for-sale financial assets - current	20,000	584,000	-	29.20	
The Company	Stock －Nan Ya Technology Corporation	-	Available-for-sale financial assets - current	220,790	885,368	-	4.01	
The Company	Stock －Nan Ya Technology Corporation	-	Available-for-sale financial assets - noncurrent	3,489,594	13,993,274	-	4.01	
The Company	Stock －Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	Other financial assets	81,756	5,632,988	-	68.90	
The Company	Stock －Formosa Chemicals & Fiber Corporation	Entity with joint control or significant influence over the Company	Other financial assets	36	3,024	-	84.00	
The Company	Stock －Nan Ya Photonics Inc.	Others	Financial assets measured at cost - noncurrent	28,600	294,583	14.30%	8.88	
The Company	Stock －Asia Pacific Investment Corporation	-	Financial assets measured at cost - noncurrent	8,950	117,500	2.11%	36.57	
The Company	Stock －Formosa Network Technology Corporation	-	Financial assets measured at cost - noncurrent	1,800	13,331	12.50%	18.71	
The Company	Stock －Formosa Heavy Industries Corporation	Others	Financial assets measured at cost - noncurrent	19,305	116,955	1.26%	14.49	
The Company	Stock －Formosa Ocean Group Marine Investment	-	Financial assets measured at cost - noncurrent	3	856,948	19.00%	US102,111.13	
The Company	Stock －Amtrust Capital Corporation	-	Financial assets measured at cost - noncurrent	5,000	31,470	3.91%	10.92	

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

Note 3: Stocks for collateral are as follows:

① Holding Formosa Chemicals & Fiber Corporation 48,568 thousand shares with 36 thousand shares for collateral.

② Holding Nan Ya Plastics Corporation 179,214 thousand shares with 81,756 thousand share for collateral.

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

Shares: In thousand

Purchaser/ Seller	Type and Name of the Securities (Note1)	Financial Statement Account	Counterparty (Note2)	Relationship (Note2)	Beginning Balance (Note6)		Acquisition (Note5)		Disposal				Ending Balance (Note6)		Note
					Shares	Amount	Shares	Amount	Shares	Selling Price	BookValue	Gain or Loss on Disposal	Shares	Amount	
The Company	Stock	Investment accounted for under the equity method	Formosa Ha Tinh Steel Corporation	Associate		$6,970,797	-	$8,398,938	-	$-	$-	$-	-	$15,369,735	
The Company	Stock	Investment accounted for under the equity method	Formosa Kraton Chemical Co., Ltd.	Joint venture		-	123,750	1,237,500	-	-	-	-	123,750	1,237,500	
The Company	Stock	Investment accounted for under the equity method	Formosa Resources Corporation	Associate		-	300,000	3,000,000	-	-	-	-	300,000	3,000,000	

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 leaves 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

Note 5: Acquisition shares and amount herein is disclosed in net of capital.

Note 6: Beginning balance and ending balance herein is disclosed in original cost.

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

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

English Translation of Financial Statements Originally Issued in Chinese

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)	
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
The Company	Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	$116,739,278 11,367,156	12.53 1.35	30 days after receiving the goods	N/A	N/A	$12,097,500 (1,195,055)	14.24 9.35
The Company	Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	53,293,831 1,568,235	5.72 0.19	30 days after receiving the goods	N/A	N/A	5,041,059 (188,994)	5.93 1.48
The Company	Formosa Chemicals & Fiber Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	196,244,372 41,039,395	21.07 4.86	30 days after receiving the goods	N/A	N/A	20,729,135 (4,351,060)	24.40 34.03
The Company	National Petroleum Co., Ltd.	Others	Sales Purchases	28,534,375 -	3.06 -	30 days after receiving the goods	N/A	N/A	2,616,434 -	3.08 -
The Company	Formosa Oil (Asia Pacific) Corporation	Subsidiary	Sales Purchases	19,929,470 -	2.14 -	30 days after receiving the goods	N/A	N/A	1,818,391 -	2.14 -
The Company	Formosa Taffeta Co., Ltd	Others	Sales Purchases	14,831,928 55,347	1.59 0.01	30 days after receiving the goods	N/A	N/A	902,432 -	1.06 -
The Company	Nan Chung Petrochemical Corp.	Others	Sales Purchases	8,709,081 -	0.94 -	30 days after receiving the goods	N/A	N/A	894,812 -	1.05 -
The Company	Caltex Taiwan Corporation	Joint venture	Sales Purchases	7,924,874 -	0.85 -	30 days after receiving the goods	N/A	N/A	680,542 (5,310)	0.80 0.04
The Company	Simosa Oil Corporation	Associate	Sales Purchases	6,088,142 -	0.65 -	30 days after receiving the goods	N/A	N/A	626,846 -	0.74 -
The Company	Formosa BP Chemicals Corporation	Others	Sales Purchases	3,063,151 1,057,742	0.33 0.13	30 days after receiving the goods	N/A	N/A	301,530 (117,526)	0.35 0.92
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Others	Sales Purchases	1,291,250 -	0.14 -	30 days after receiving the goods	N/A	N/A	165,165 -	0.19 -
The Company	Mailiao Harbor Administration Corporation	Associate	Sales Purchases	462,446 -	0.05 -	30 days after receiving the goods	N/A	N/A	9,547 (53,289)	0.01 0.42
The Company	Mai-Liao Power Corporation	Associate	Sales Purchases	188,235 -	0.02 -	30 days after receiving the goods	N/A	N/A	8,248 -	0.01 -
The Company	TMS Corp.	Associate	Sales Purchases	282,802 -	0.03 -	30 days after receiving the goods	N/A	N/A	6,050 -	0.01 -

English Translation of Financial Statements Originally Issued in Chinese

Purchaser/Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	
			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 Biomedical technology Corp.	Others	Sales Purchases	125,802 -	0.01 -	30 days after receiving the goods	N/A	N/A	- -	- -
The Company	Chang Gung Medical Foundation	Others	Sales Purchases	165,165 -	0.19 -	30 days after receiving the goods	N/A	N/A	15,319 -	0.02 -

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

Creditor	Counterparty	Relationship with the counterparty	Balance	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
	Accounts Receivable							
The Company	Formosa Chemicals & Fiber Corporation	Entity with joint control or significant influence over the Company	20,729,135	11.55	-	-	20,729,135	N/A
The Company	Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	12,097,500	11.25	-	-	12,097,500	N/A
The Company	Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	5,041,059	11.39	-	-	5,041,059	N/A
The Company	National Petroleum Co., Ltd.	Others	2,616,434	11.31	-	-	2,616,434	N/A
The Company	Formosa Oil (Asia Pacific) Corporation	Subsidiary	1,818,391	11.58	-	-	1,818,206	N/A
The Company	Formosa Taffeta Co., Ltd	Others	902,432	19.92	-	-	902,432	N/A
The Company	Caltex Taiwan Corporation	Joint venture	680,542	11.59	-	-	680,542	N/A
The Company	Formosa BP Chemicals Corporation	Others	301,530	11.29	-	-	301,530	N/A
The Company	Formosa ABS Plastics (Ningbo) Limited Company	Others	165,165	8.94	-	-	160,126	N/A
The Company	Simosa Oil Corporation	Associate	626,846	11.64	-	-	626,846	N/A
The Company	Nan Chung Petrochemical Corp.	Others	849,812	12.92	-	-	849,812	N/A
	Other receivables from related parties							
The Company	Formosa Marine Corporation	Associate	100,000	-	-	-	-	N/A
The Company	Formosa Development Corporation	Associate	40,000	-	-	-	-	N/A
The Company	Formosa Heavy Industries Corporation	Others	2,800,000	-	-	-	2,800,000	N/A
The Company	Nan Ya Photonics Inc.	Others	300,000	-	-	-	-	N/A

I. Derivative financial instruments undertaken: Please refer to Notes 6(3),(4) and 12.

J. Significant intercompany transactions between consolidated entities

No. (Note 1)	Company name	Counterparty	Relationship	Transaction			
				Account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	The Company	Formosa Oil (Asia Pacific) Corporation	1	Sales revenue	19,929,470	Prices similar to those with non-related parties	2.14%
				Account receivables	1,818,391	Pay in the following month	0.38%
1	Formosa Oil (Asia Pacific) Corporation	The Company	2	Labor force revenue	254,972	Pay in the following month	0.03%
				Other operating revenue	-	Pay in the following month	-
1	Formosa Petrochemical Transportation Corporation	The Company	2	Labor force revenue	353,464	Pay in the following month	0.04%
				Other operating revenue	-	30 days after receiving the goods	-
1	Formosa Dredging Corporation	The Company	2	Labor force revenue	2,457,202	30 days after receiving the goods	0.26%
				Accounts receivable	319,677	-	0.07%
				Other accounts payable	77,870	-	0.02%

(2) Investee information

A. Names, locations and related information of investee companies as of 31 December 2013 (excluded Mainland China)

Investor	Investee (Note1、2)	Region	Main Business	Original cost		At the end of period			Investees company net income (Note2(2))	Share of Profits/Losses (Note2(3))	Note
				Balance at December 31, 2013	Balance at December 31, 2012	Number of shares(in thousand)	Percentage	Amount			
The Company	Formosa Oil (Asia Pacific) Corporation	ROC	Retail of petrochemical	$1,097,992	$1,097,992	100,000	100.00%	963,531	80,927	80,927	
The Company	Formosa Petrochemical Transportation Corporation	ROC	Transportation	176,019	176,019	19,378	88.00%	224,294	8,638	7,601	
The Company	FPCC USA,INC.	US	Investing	US$22,651	US$22,651	10	100.00%	352,243	(62,368)	(62,368)	
The Company	Formosa Dredging Corporation	BVI	Ship chartering	US$3,100	US$3,100	10	100.00%	151,304	(55,279)	(55,279)	
The Company	Mai-Liao Power Corporation	ROC	Electricity generation	5,985,978	5,985,978	498,878	24.94%	10,882,973	6,128,090	1,528,554	
The Company	Yi-Chi Construction Corporation	ROC	Construction	80,500	80,500	8,050	40.55%	87,372	258	105	
The Company	Mailiao Harbor Administration Corporation	ROC	Harbor manage	1,348,137	1,348,137	98,907	44.96%	2,350,651	1,157,306	520,310	
The Company	Formosa Development Corporation	ROC	Development of land	229,970	229,970	34,847	45.99%	630,200	1,742	801	
The Company	Formosa Marine Corporation	ROC	Transportation	20,000	20,000	3,238	20.00%	65,892	274,216	54,843	

				Original cost		At the end of period					
Investor	Investee (Note1、2)	Region	Main Business	Balance at December 31, 2013	Balance at December 31, 2012	Number of shares(in thousand)	Percentage	Amount	Investees company net income (Note2(2))	Share of Profits/Losses (Note2(3))	Note
The Company	Simosa Oil Corporation	ROC	Retail of other oil products and manufacturing	54,000	54,000	15,652	20.00%	530,576	845,195	169,039	
The Company	Caltex Taiwan Corporation	ROC	Retail of petrochemical products and airport refueling	21,501	21,501	2,400	50.00%	51,453	40,094	20,047	
The Company	Formosa Environmental Technology Corporation	ROC	Disposals of waste and sewage	417,145	417,145	41,714	24.34%	273,956	(28,419)	(6,917)	
The Company	Formosa Ha tinh Steel Corporation	VN	Steel Manufacturing	US$516,250	US$233,750	-	15.53%	15,240,073	(413,884)	(86,464)	
The Company	Formosa Plastics Synthetic Rubber	ROC	Synthetic Rubber Manufacturing	400,000	400,000	40,000	33.33%	376,157	(50,357)	(16,784)	
The Company	Formosa Plastics Synthetic Rubber(HK)	HK	Synthetic Rubber Manufacturing	US$30,000	US$30,000	-	30.00%	898,543	(81,669)	(24,501)	
The Company	Formosa Kraton Chemical Co., Ltd.	ROC	Synthetic Rubber Manufacturing	1,237,500	-	123,750	50.00%	1,226,996	(21,009)	(10,504)	
The Company	FormoLight Technologies, Inc	ROC	LED	80,361	-	8,036	39.43%	76,141	5,067	1,998	
The Company	Formosa Resources Corporation	ROC	Mining	3,000,000	-	300,000	25.00%	3,025,362	(69,142)	(17,284)	
The Company	Formosa Group (Cayman) Limited	Cayman	Investing	377	-	-	25.00%	361	(51)	(13)	
Formosa Oil (Asia Pacific) Corporation	Formosa Falkor Engineering Corporation	ROC	Piping component	11,500	-	1,150	50.00%	10,283	(2,433)	(1,217)	
Formosa Oil (Asia Pacific) Corporation	TMS Corp.	ROC	Vehicle and parts export and import	40,000	40,000	2,940	49.00%	38,460	10,280	5,037	
Formosa Oil (Asia Pacific) Corporation	Whale Home International Corp.	ROC	Retail of petrochemical	151,715	151,715	14,994	49.00%	155,690	7,418	3,635	
Formosa Oil (Asia Pacific) Corporation	Jia Fu Petroleum Corp.	ROC	Retail of petrochemical	22,800	-	2,945	98.83%	453	(719)	(710)	
Formosa Petrochemical Transportation Corporation	Whale Home International Corp.	ROC	Retail of petrochemical	48,209	48,209	4,801	15.69%	49,853	7,418	1,163	
FPCC USA, INC.	NEUMIN OIL AND GAS, LLC	US	Oil drilling	US$10,190	US$10,190	60	50.00%	US$641	US$2	US$1	
Formosa Dredging Corporation	Formosa Petrochemical Marine Company Limited	HK	Transportation	-	-	-	-	-	-	-	

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

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

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

(2) In “Investees company net income” column should filled in each investee net income.

(3) In “Share of Profits/Losses” column only need to filled in the company recognized each subsidiaries and the company under equity method’s profits or loss. Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

B. The company has controlling power over Formosa Petrochemical Transportation Corporation, Formosa Oil (Asia Pacific) Corporation, FPCC USA, INC., Formosa Dredging Corporation and Formosa Petrochemical Marine Company Limited. Although the total assests and total operating revenue has not reached 10% of the company’s account, but the significant transaction should be disclosed.

(a) Financing provided to others

No	Creditor	Borrower	General Leger account	Related party	Maximum outstanding balance during the year ended December 31 2013	Balance at December 31, 2013(Credits approved by the Boards)	Actual amount	Interest rate%	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company’s Total Financing Amount Limits
													Item	Value		
1	Formosa Oil (Asia Pacific) Corporation	Whale Home International Corp.	Other receivables from related parties	yes	$50,000	$100	$100	1.613~1.648	(2)	-	Need for operating	N/A	N/A	N/A	$50,000	$403,178

(b) Endorsement/guarantee provided to others for the year ended 31 December 2013: None.

(c) Securities held as of 31 December 2013

Holding Company	Type and Name of the Securities (Note 1)	Relationship	Financial Statement Account	As of 31 December 2013			
				Shares (thousands)	Carrying Value	Percentage of Ownership (%)	Market Value
Formosa Oil (Asia Pacific) Corporation	Stock－National Petroleum Co., Ltd.	Others	Available-for-sale financial assets - current	72	2,097	-	29.20
Formosa Oil (Asia Pacific) Corporation	Stock－Tai Yi Feng Corporation	-	Financial assets measured at cost	1,500	15,000	5%	10.00
Formosa Petrochemical Transportation Corporation	Fund－Money market trust fund	-	Available-for-sale financial assets - current	3,834	61,047	-	15.92

(d) Individual securities acquired or disposed of with accumulated amount exceeding NT$100 million or 20 percent of the capital stock for the year: None

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

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

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

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

(i) Derivative financial instruments undertaken: None.

(j) Significant inter-company transactions: None.

C. Investment in Mainland China as of 31 December 2013

Investee company	Main Businesses and Products	Total Amount of Paid-in Capitak	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investees company net income (Note2)	Pecentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013
					Outflow	Inflow						
Formosa Plastics Synthetic Rubber(Ningbo)	Synthetic Rubber Manufacturing	USD$100,000	(2)	USD$-	-	-	USD$30,000	(81,669)	30%	(24,501)	$898,543	$-

Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note3)
USD$30,000(Note4)	USD$30,000(Note4)	NT$144,204,721

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

(1) Directly invested in China

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

(3) Other method

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

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

Note4：About NT$900,600 thousand.

14. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

Information for the year ended December 31, 2013

	Petrochemical Division	Utility Division	Others	Adjustment and eliminations	Consolidated Amount
Revenues					
External customer	$865,271,492	$43,480,154	$22,582,244	$-	$931,333,890
Inter-segment	19,929,470	10,877,459	1,861,077	(32,668,006)	-
Total revenues	$885,200,962	$54,357,613	$24,443,321	$(32,668,006)	$931,333,890
Interest revenues	-	-	467,236	-	467,236
Rental income	1,304,082	-	61,742	-	1,365,824
Interest expense	2,791,983	255,759	276,929	-	3,324,671
Depreciation and depletion	15,465,256	5,589,829	1,040,068	-	22,095,153
Amortization	2,739,627	411,104	129,201	-	3,279,932
Other material non-cash items:					
Impairment of assets	-	-	39,885	-	39,885
Segment profit or loss	$11,703,241	$9,609,729	$9,702,904	$-	$31,015,874
Assets					
Investments accounted for using equity method	-	-	35,990,643	-	35,990,643
Segment assets	$285,990,698	$37,326,066	$158,910,143	$-	$482,226,907
Segment liabilities	$194,018,915	$13,011,095	$34,825,110	$-	$241,855,120

Information for the year ended December 31, 2012

	Petrochemical Division	Utility Division	Others	Adjustment and eliminations	Consolidated Amount
Revenues					
External customer	$830,731,425	$41,795,147	$21,851,149	$-	$894,377,721
Inter-segment	18,974,786	10,132,590	2,795,890	(31,903,266)	-
Total revenues	$849,706,211	$51,927,737	$24,647,039	$(31,903,266)	$894,377,721
Interest revenues	-	-	251,573	-	251,573
Rental income	1,292,914	-	65,122	-	1,358,036
Interest expense	2,905,347	255,759	307,528	-	3,468,634
Depreciation and depletion	17,406,446	5,250,994	1,102,245	-	23,759,685
Amortization	2,480,721	485,291	153,525	-	3,119,537
Other material non-cash items:					
Impairment of assets	-	-	19,660	-	19,660
Segment profit or loss	$(6,239,917)	$4,170,338	$4,510,423	$-	$2,440,844
Assets					
Investments accounted for using equity method	-	-	22,326,934	-	22,326,934
Segment assets	$291,024,657	$42,039,146	$134,344,365	$-	$467,408,168
Segment liabilities	$217,398,849	$13,092,499	$30,627,072	$-	$261,118,420

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

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

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

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

(a)Revenue

	For the year ended December 31, 2013	For the year ended December 31, 2012
Total revenue from reportable segments	$939,558,575	$901,633,948
Other segment revenue	24,443,321	24,647,039
Eliminate of inter-segment revenue	(32,668,006)	(31,903,266)
The revenue	$931,333,890	$894,377,721

(b) Profit or loss

	For the year ended December 31, 2013	For the year ended December 31, 2012
Total profit or loss for reportable segments	$21,312,970	$(2,069,579)
Other profit or loss	9,702,904	4,510,423
Profit(loss) before tax from continuing operations	$31,015,874	$2,440,844

(c)Assets

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
Total assets of reportable segments	$323,316,764	$333,063,803	$346,257,712
Other assets	158,910,143	134,344,365	116,111,902
Segment assets	$482,226,907	$467,408,168	$462,369,614

(d)Liabilities

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
Total liabilities of reportable segments	$207,030,010	$230,491,348	$215,998,430
Other liabilities	34,825,110	30,627,072	24,001,264
Segment liabilities	$241,855,120	$261,118,420	$239,999,694

(e) Other material items

For the year ended December 31, 2013

	Reportable segments	Adjustments	Consolidated
Interest revenue	$-	$467,236	$467,236
Rental income	1,304,082	61,742	1,365,824
Interest expense	3,047,742	276,929	3,324,671
Depreciation and depletion	21,055,085	1,040,068	22,095,153
Amortization	3,150,731	129,201	3,279,932
Impairment of assets	-	39,885	39,885
Investments accounted for using equity method	-	35,990,643	35,990,643

For the year ended December 31, 2012

	Reportable segments	Adjustments	Consolidated
Interest revenue	$-	$251,573	$251,573
Rental income	1,292,914	65,122	1,358,036
Interest expense	3,161,106	307,528	3,468,634
Depreciation and depletion	22,657,440	1,102,245	23,759,685
Amortization	2,966,012	153,525	3,119,537
Impairment of assets	-	19,660	19,660
Investments accounted for using equity method	-	22,326,934	22,326,934

Other reconciliation items of major projects primarily related to non-operating.

(3).Geographic information:

Revenues from external customers:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Taiwan	$531,325,715	$502,833,194
China	22,349,444	14,223,836
Singapore	72,403,437	117,699,185
South Korea	3,993,224	6,226,183
Other	301,262,070	253,395,323
Taiwan	$931,333,890	$894,377,721

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

Non-current assets:

	As of		
	December 31, 2013	December 31, 2012	January 1, 2012
Taiwan	$168,819,888	$180,688,013	$189,655,628
Other countries	3,176,286	3,405,920	3,307,426
Total	$171,996,174	$184,093,933	$192,963,054

(4).Information about major customers

For the year ended December 31, 2013

Customer	Sales Amount	Division
Formosa Chemicals & Fiber Corp.	$196,244,372	Petrochemical and utility divisions
Formosa Plastics Corp.	116,739,278	Petrochemical and utility divisions
	$312,983,650	

For the year ended December 31, 2012

Customer	Sales Amount	Division
Formosa Chemicals & Fiber Corp.	$183,364,023	Petrochemical and utility divisions
Formosa Plastics Corp.	103,216,785	Petrochemical and utility divisions
	$286,580,808	

15. First-time adoption of TIFRS

For all periods up to and including the year ended December 31, 2012, the Group prepared its financial statements in accordance with generally accepted accounting principles in R.O.C. (R.O.C. GAAP). The consolidated financial statements for the year ended December 31, 2013 are the first the Group has prepared in accordance with TIFRS.

Accordingly, the Group has prepared financial statements which comply with TIFRS and the Regulations Governing the Preparation of Financial Reports by Securities Issuers for periods beginning January 1, 2013 as described in the accounting policies under Note 4. Furthermore the first interim financial statements prepared under TIFRS also comply with the requirements under IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The Group's opening balance sheet was prepared as at January 1, 2012, the Group's date of transition to TIFRS.

Exemptions applied in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS 1 *First-time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Group has applied the following exemptions:

(1) The Group has recognized all cumulative actuarial gains and losses on pensions as at the date of transition to TIFRS directly in retained earnings.

(2) The Group has elected to disclose amounts required by paragraph 120A(p) of IAS 19 prospectively from the date of transition to TIFRS.

(3) Accumulated balance of exchange differences resulting from translating the financial statements of a foreign operation is deemed to be zero as at the date of transition to TIFRS.

Impacts of transitioning to TIFRS

The following tables contain reconciliation of balance sheets as of December 31, 2012 and January 1, 2012 and statements of comprehensive income for the year ended December 31, 2012:

English Translation of Financial Statements Originally Issued in Chinese

Reconciliation of consolidated balance sheet items as of January 1, 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Current assets					Current assets	
Cash and cash equivalents	$32,433,110	$-	$-	$32,433,110	Cash and cash equivalents	
Available-for-sale financial assets	20,590,075	-	-	20,590,075	Available-for-sale financial assets - current	
Derivative financial assets for hedging	24,012	-	-	24,012	Derivative financial assets for hedging - current	
Notes receivable(including from related parties)	2,644,734	-	-	2,644,734	Notes receivable(including from related parties)	
Accounts receivable(including from related parties)	61,942,968	-	-	61,942,968	Accounts receivable(including from related parties)	
Other receivables(including from related parties)	7,471,630	-	(1,743)	7,469,887	Other receivables(including from related parties)	11
-		-	1,743	1,743	Current tax assets	11
Other financial assets- current	4,787,351	-	(4,787,351)	-	-	11
Inventories	96,533,796	-	-	96,533,796	Inventories	
Prepayments	12,194,580	-	-	12,194,580	Prepayments	
Other current assets	1,336,171	-	3,685,914	5,022,085	Other current assets	7,11
Total current assets	239,958,427			238,856,990	Total current assets	
Funds and investments					Non-current assets	
Available-for-sale financial assets	4,916,968	(253,465)	606,450	5,269,953	Available-for-sale financial assets	1,11
Financial assets measured at cost	2,052,237	-	(606,450)	1,445,787	Financial assets measured at cost	1,11
Long-term investments at equity	16,947,939	(63,224)	-	16,884,715	Investments accounted for using the equity method	5
Other financial assets	107,811	-	(107,811)	-	-	11
Total funds and investments	24,024,955					
Fixed assets, net	186,546,496	-	(5,777,627)	180,768,869	Property, plant and equipment	2,11
-		-	308,746	308,746	Natural resources	11
Other assets						
Idle assets	312,636	-	(312,636)	-	-	2
-	-	-	312,133	312,133	Investment property	2
Refundable deposit	531,473	-	(531,473)	-	-	11
Deferred expenses	4,923,873	-	(4,923,873)	-	-	11
Deferred income tax assets- non-current	5,512,780	105,104	1,223,420	6,841,304	Deferred tax assets	3,7
Other assets	648,577	-	11,032,540	11,681,117	Other non-current assets	
Total other assets	11,929,339			223,512,624	Non-current assets	
Total assets	$462,459,217			$462,369,614	Total assets	

English Translation of Financial Statements Originally Issued in Chinese

Reconciliation of consolidated balance sheet items as of January 1, 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Current liabilities					Current liabilities	
Short-term borrowings	$21,084,689	$-	$-	$21,084,689	Short-term borrowings	
Short-term notes payable	10,100,000	-	-	10,100,000	Short-term notes payable	
Notes payable(including from related parties)	32,435	-	-	32,435	Notes payable	
Accounts payable(including from related parties)	18,707,023	-	-	18,707,023	Accounts payable(including from related parties)	
Income tax payable	860,569	-	-	860,569	Current tax liabilities	
Accrued expenses	9,142,533	(107,228)	(9,035,305)	-	-	4,11
Other payables(including from related parties)	15,111,217	-	9,035,305	24,146,522	Other payables(including from related parties)	11
Unearned receipts	281,381	118,281	(399,662)	-	-	4,11
Current portion of long-term debts	20,016,252	-	-	20,016,252	Current portion of long-term debts	
Other current liabilities	82,049	-	399,660	481,709	Other current liabilities	11
Total current liabilities	95,418,148			95,429,199		
Long-term liabilities					Non-current liabilities	
Financial liabilities at fair value through income statement	12,331	-	-	12,331	Financial liabilities at fair value through profit or loss	
Derivative financial liabilities for hedging	339,112	-	-	339,112	Derivative financial liabilities for hedging	
Bonds payable	63,000,000	-	-	63,000,000	Bonds payable	
Long-term borrowings	76,556,023	-	-	76,556,023	Long-term borrowings	
Total long-term liabilities	139,907,466					
Other liabilities						
Accrued pension liability	2,424,322	637,315	-	3,061,637	Accrued pension liability	3
Deposits received	1,279,086	-	(1,279,086)	-	-	11
Deferred income tax liabilities- non-current	-	-	121,983	121,983	Deferred income tax liabilities- non-current	7
Other liabilities	200,322	-	1,279,087	1,479,409	Other non-current liabilities	11
Total other liabilities	3,903,730			144,570,495	Total non-current liabilities	
Total liabilities	239,229,344			239,999,694	Total liabilities	
Capital stock					Capital stock	
Common stock	95,259,597	-	-	95,259,597	Common stock	
Capital surplus	31,246,190	(2,906)	-	31,243,284	Capital surplus	8
Retained earnings					Retained earnings	
Legal reserve	36,063,874	-	-	36,063,874	Legal reserve	
Special reserve	3,033,784	-	-	3,033,784	Special reserve	
Undistributed earnings	47,406,597	(623,136)	-	46,783,461	Undistributed earnings	3,4,5,6,8
Adjusting items in shareholders' equity	10,177,820	(230,036)	-	9,947,784	Other equity	1,5
Minority interest	42,011	(3,875)	-	38,136	Non-controlling interest	5
Total shareholders' equity	223,229,873			222,369,920	Total equity	
Total liabilities and shareholders' equity	$462,459,217			$462,369,614	Total equity and liabilities	

English Translation of Financial Statements Originally Issued in Chinese

Reconciliation of consolidated balance sheet items as of December 31, 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		Notes
Items	Amounts	Remeasurements	Presentation	Amounts	Items	
Current assets					Current assets	
Cash and cash equivalents	$21,133,367	$-	$-	$21,133,367	Cash and cash equivalents	
Available-for-sale financial assets	20,065,814	-	-	20,065,814	Available-for-sale financial assets - current	
Derivative financial assets for hedging	-	-	-	-	Derivative financial assets for hedging - current	
Notes receivable(including from related parties)	2,527,787	-	-	2,527,787	Notes receivable(including from related parties)	
Accounts receivable(including from related parties)	76,730,831	-	-	76,730,831	Accounts receivable(including from related parties)	
Other receivables(including from related parties)	26,685,665	-	(24,717)	26,660,948	Other receivables(including from related parties)	11
-			24,717	24,717	Current tax assets	11
Other financial assets- current	4,484,508	-	(4,484,508)	-	-	11
Inventories	75,996,774	-	-	75,996,774	Inventories	
Prepayments	15,633,999	-	-	15,633,999	Prepayments	
Other current assets	1,725,144	-	2,947,684	4,672,828	Other current assets	7,11
Total current assets	244,983,889			243,447,065	Total current assets	
Funds and investments					Non-current assets	
Available-for-sale financial assets	8,723,986	-	-	8,723,986	Available-for-sale financial assets	1,11
Financial assets measured at cost	1,445,787	-	-	1,445,787	Financial assets measured at cost	1,11
Long-term investments at equity	22,355,344	(28,410)	-	22,326,934	Investments accounted for using the equity method	5
Prepaid long-term investment	22,800	-	(22,800)	-		
Other financial assets	100,477	-	(100,477)	-	-	11
Total funds and investments	32,648,394					
Fixed assets, net	178,160,134	-	(6,451,749)	171,708,385	Property, plant and equipment	2,11
-		-	333,316	333,316	Natural resources	11
Total intangible assets	-	-	-	-	Intangible assets	11
Other assets						
Idle assets	292,706	-	(292,706)	-	-	2
-		-	292,473	292,473	Investment property	2
Refundable deposit	395,085	-	(395,085)	-	-	11
Deferred expenses	4,324,511	-	(4,324,511)	-	-	11
Deferred income tax assets- non-current	5,320,942	104,060	1,844,985	7,269,987	Deferred tax assets	3,7
Other assets	898,698	-	10,961,537	11,860,235	Other non-current assets	
Total other assets	11,231,942			223,961,103	Non-current assets	
Total assets	$467,024,359			$467,408,168	Total assets	

English Translation of Financial Statements Originally Issued in Chinese

Reconciliation of consolidated balance sheet items as of December 31, 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Current liabilities					Current liabilities	
Short-term borrowings	$25,184,590	$-	$-	$25,184,590	Short-term borrowings	
Short-term notes payable	13,000,000	-	-	13,000,000	Short-term notes payable	
Gains (losses) on financial liabilities-current at fair value	210,191	-	-	210,191	Gains (losses) on financial liabilities-current at fair value through profit or loss	
Derivative financial liabilities for hedging- current	138,243	-	-	138,243	Derivative financial liabilities for hedging- current	
Notes payable(including from related parties)	32,690	-	-	32,690	Notes payable	
Accounts payable(including from related parties)	15,284,763	-	-	15,284,763	Accounts payable(including from related parties)	
Income tax payable	2,245	-	-	2,245	Current tax liabilities	
Accrued expenses	8,665,976	(80,521)	(8,585,455)	-	-	4,11
Other payables(including from related parties)	2,853,668	-	8,585,455	11,439,123	Other payables(including from related parties)	11
Unearned receipts	149,441	103,735	(253,176)	-	-	4,11
Current portion of long-term debts	32,474,694	-	-	32,474,694	Current portion of long-term debts	
Other current liabilities	215,501	-	253,175	468,676	Other current liabilities	11
Total current liabilities	98,212,002			98,235,215		
Long-term liabilities					Non-current liabilities	
Financial liabilities at fair value through income statement	420,272	-	-	420,272	Financial liabilities at fair value through profit or loss	
Derivative financial liabilities for hedging	-	-	-	-	Derivative financial liabilities for hedging	
Bonds payable	66,000,000	-	-	66,000,000	Bonds payable	
Long-term borrowings	88,538,002	-	-	88,538,002	Long-term borrowings	
Lease payable- non-current	2,654,796	-	-	2,654,796	Lease payable – non-current	
Total long-term liabilities	157,613,070					
Other liabilities						
Accrued pension liability	2,496,585	630,343	-	3,126,928	Accrued pension liability	3
Deposits received	1,348,595	-	(1,348,595)	-	-	11
Deferred income tax liabilities- non-current	-	-	308,160	308,160	Deferred income tax liabilities-non-current	7
Other liabilities	486,452	-	1,348,595	1,835,047	Other non-current liabilities	11
Total other liabilities	4,331,632			162,883,205	Total non-current liabilities	
Total liabilities	260,156,704			261,118,420	Total liabilities	
Capital stock					Capital stock	
Common stock	95,259,597	-	-	95,259,597	Common stock	
Capital surplus	31,246,190	(2,906)	-	31,243,284	Capital surplus	8
Retained earnings					Retained earnings	
Legal reserve	38,313,746	-	-	38,313,746	Legal reserve	
Special reserve	3,033,784	-	-	3,033,784	Special reserve	
Undistributed earnings	28,823,756	(626,361)	-	28,197,395	Undistributed earnings	3,4,5,6,8
Adjusting items in shareholders' equity	10,155,444	55,036	-	10,210,480	Other equity	1,5
Minority interest	35,138	(3,676)	-	31,462	Non-controlling interest	5
Total shareholders' equity	206,867,655			206,289,748	Total equity	
Total liabilities and shareholders' equity	$467,024,359			$467,408,168	Total equity and liabilities	

English Translation of Financial Statements Originally Issued in Chinese

Reconciliation of statement of comprehensive income items for the year ended December 31, 2012.

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Operating revenue, net	$894,413,406	$(35,685)	$-	$894,377,721	Operating revenue, net	4
Operating costs	885,211,930	-	-	885,211,930	Operating costs	
Gross profit (loss)	9,201,476			9,165,791	Gross profit (loss)	
Operating expenses					Operating expenses	
Selling expenses	5,705,314	(23,525)	-	5,681,789	Selling expenses	3
Administrative expenses	4,164,230	(6,972)	-	4,157,258	Administrative expenses	3
Research and development expenses	157,391	-	-	157,391	Research and development expenses	
Total	10,026,935			9,996,438		
Operating income (loss)	(825,459)			(830,647)	Operating income (loss)	
Non-operating income					Non-operating income and expenses	
Investment income recognized under the equity method	1,918,390	3,207	-	1,921,597	Share of profits of associates and joint venture	5
Interest revenue	251,629	-	-	251,629	Other income	
Dividend revenue	1,161,418	-	-	1,161,418	Other income	
Loss on disposal of fixed assets	7,897	-	-	7,897	Other gains and losses	
Foreign exchange gain	1,464,890	-	-	1,464,890	Other gains and losses	
Rental income	1,358,036	-	-	1,358,036	Other income	
Loss on valuation of financial assets	-	-	-	-	Other gains and losses	
Other income	2,019,731	-	-	2,019,731	Other income	
Total	8,181,991					
Non-operating expenses						
Loss on disposal of fixed assets	2,837	-	-	2,837	Other gains and losses	
Interest expense	3,468,634	-	-	3,468,634	Finance costs	
Financial cost	117,215	-	-	117,215	Other gains and losses	
Impairment loss of financial assets	19,660	-	-	19,660	Other gains and losses	
Loss on valuation of financial liabilities	296,203	-	-	296,203	Other gains and losses	
Loss on valuation of financial liabilities	653,254	-	-	653,254	Other gains and losses	
Other losses	355,904	-	-	355,904	Other gains and losses	
Total	4,913,707			3,271,491		
Profit (loss) before tax	2,442,825	(1,981)	-	2,440,844	Profit (loss) before tax	
Income tax expense	(278,298)	1,044	-	(277,254)	Income tax expense	3
Consolidated net income	$2,721,123			2,718,098	Profit (loss)	
-			(23,563)	(23,563)	Exchange differences resulting from translating the financial statements of a foreign operation	9
-			346,487	346,487	Unrealized gains (losses) from available-for-sale financial assets	1,9
-			176,857	176,857	Gains (losses) on cash flow hedges	9
-			(206,968)	(206,968)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	5,9
-			(30,067)	(30,067)	Income tax relating to components of other comprehensive income	9
-				262,746	Other comprehensive income, net of tax	
				$2,980,844	Total comprehensive income	

Material adjustments to the consolidated statement of cash flow for the year ended December 31, 2012.

The transition from R.O.C. GAAP to TIFRS has not had a material impact on the statement of cash flows. The statement of cash flow prepared under R.O.C. GAAP was reported using the indirect method. Furthermore, cash flows from interest and dividends received and interest paid were classified as cash flows from operating activities and interest and dividends received were not disclosed separately. However, in accordance with the requirements under IAS 7 *Statement of Cash Flows*, the interest and dividends received for the year ended December 31, 2012, are separately disclosed in the statement of cash flow in the amount of NT$232,732 thousand and NT$610,504 thousand, respectively. Interest and dividends received are classified as cash flows from investing activities while interest paid is classified as cash flows from financing activities.

Apart from the aforementioned differences, there were no material differences between the statements of cash flows prepared under R.O.C. GAAP and TIFRS.

(1) Financial assets measured at cost

Under the previous accounting policies, equity investments in unlisted entities were measured at cost and net of impairment loss if objective evidence of impairment exists. However under the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*, only investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured could be measured at cost. Therefore these investments in unlisted entities are measured at fair value and reclassified to financial assets at fair value through profit or loss or available-for-sale financial assets. The following table illustrates the impact of the adjustments:

As of January 1, 2012

				Differences	
Classification under R.O.C. GAAP	Classification under TIFRS	Carrying amount under R.O.C. GAAP	Carrying amount under TIFRS	Recognized in unrealized gains or losses from available-for-sale financial assets	Recognized in retained earnings
Financial assets measured at cost - non-current	Available-for-sale financial assets - non-current	606,450	606,450	(253,465)	-

As of December 31, 2012

				Differences	
Classification under R.O.C. GAAP	Classification under TIFRS	Carrying amount under R.O.C. GAAP	Carrying amount under TIFRS	Recognized in unrealized gains or losses from available-for-sale financial assets	Recognized in retained earnings
Financial assets measured at cost - non-current	Available-for-sale financial assets - non-current	-	-	-	-

Unrealized valuation gains and losses from available-for-sale financial assets in the amount of NT$0 thousand for the year ended 31 December 2012, were recognized under other comprehensive income.

(2) Reclassification of idle assets

Properties of the Group held to be leased or for long-term capital appreciation are currently classified under other assets - idle assets, as there is no clear guidance under ROC GAAP. However under the requirements of IAS 40 *"Investment Property"*, properties which meet the definition of investment property should be classified as such. Under R.O.C. GAAP, idle assets are classified under other assets. Therefore, under the IFRS adjustment as of December 31, 2012 and January 1, 2012 properties of the Group under other assets - idle assets reclassified as properties, plant and equipment amounted to NT$233 thousand and NT$503 thousand, and investment property after reclassification amounted to NT$292,473 and NT$312,133 thounsand, respectively.

(3) Employee benefits

Under R.O.C. GAAP, the Group has conducted an actuarial valuation for benefit obligation and recognized related pension costs and accrued pension liabilities. However under the requirements of IAS 19 *"Employee benefits"*, another actuarial valuation was conducted. In accordance with IFRS 1 *"- First-time Adoption of International Financial Reporting Standards"*, the Group elected to recognize all cumulative actuarial gains and losses relating to employee benefits at the date of transition to IFRSs. Therefore, the IFRS adjustment as of December 31, 2012 and January 1, 2012 resulted in an increase of accrued pension liabilities by NT$630,343 thousand and NT$637,315 thousand a corresponding increase in deferred income tax assest-non-current by NT$104,060 thousand and NT$105,014 thousand both a decrease in retained earnings under equity by NT$532,211 thousand. Based on the above effects, accrued pension liabilities were adjusted by NT$6,972 thousand for the year ended December 31, 2012. Operating expenses of the consolidated income statement reduced NT$6,972 thousand and income tax benefit decreased NT$1,044 thousand for the year ended December 31, 2012.

(4) Customer loyalty programs

Under R.O.C. GAAP, the Group has recognized the fair value of all considerations received or receivable as revenue at the time of sale, and estimated the cost and related liabilities resulting from the accompanying gift given. However under the requirements of IFRIC 13 *"Customer Loyalty Programs"*, the fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale; the consideration allocated to the award credits should be deferred and only recognized as revenue when the award credits are redeemed and the company fulfills its obligations to supply awards. Therefore, the IFRS adjustment as of December 31, 2012 and January 1, 2012 resulted in an increase in deferred income by NT$103,735 thousand and NT$118,281 thousand and a corresponding decrease in accrued expense by NT$80,521 thousand and NT$107,228 thousand , reduction in retained earnings under equity by NT$11,053 thousand. Operating revenues of the consolidated income statement reduced NT$35,685 thousand and operating expenses reduce NT$23,525 thousand for the year ended December 31, 2012.

(5) Adjustments of long-term equity investments

Under the requirements of IAS 28 *"Investment in associated companies"* which require consistency in the accounting policies among the affiliated companies. Affiliated companies which the Group adopts equity method due to IFRSs adjustments, as of January 1, 2012 and December 31, 2012, incurred decrease in long-term equity investments under equity method by NT$63,224 thousand and NT$28,410 thousand, decrease in retained earnings under equity both by NT$27,742 thousand and unrealized gains or losses of financial instruments under other equity reduced by NT$31,607 thousand and NT$0 thousand, respectively. And non-control equity were rereduced by NT$3,875 thousand and NT$3,676 thousand as of January 1,2012 and December 31,2012. Shares of profits of associates and joint venture in the consolidated income statement increased NT$3,207 thousand, and net income of the non-controlling interests increase NT$200 thousand for the year ended December 31, 2012.

(6) Other stockholders' equity- cumulative translation adjustments

The Group elected to reset the cumulative translation differences of the foreign operations to zero at the date of transition to IFRSs because of exemptions under IFRS 1 *"First-time Adoption of International Financial Reporting Standards"*. Therefore, the cumulative translation (loss) adjusted 55,036 thousand as of January 1, 2012.

(7) Income tax

Under the requirements of R.O.C. GAAP, the current and noncurrent deferred tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount. However under the requirements of IAS 12 *Income Taxes*, an entity shall offset deferred tax assets and deferred tax liabilities if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. As of January 1, 2012 and December 31, 2012, deferred tax assets-current of NT$54,211 thousand and NT$71,930 thousand and the deduction of deferred tax assets-non-current of NT$67,772 thousand and NT$236,230 thousand were reclassified to the addition of deferred tax assets-non-current.

Under the requirements of R.O.C. GAAP, a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. If a deferred tax asset or liability is not related to an asset or liability for financial reporting, it should be classified as current or non-current according to the expected reversal date of the temporary difference. However under the requirements of IAS 1 *Presentation of Financial Statements*, deferred tax assets or liabilities are classified as non-current. Therefore as of January 1, 2012 and December 31, 2012, deferred tax assets reclassified to non-current assets were NT$1,155,648 thousand.and NT$1,608,754 thousand.

(8) Capital surplu:

Under ROC GAAP, if an investee issues new shares and an investor does not purchase new shares proportionately, which results in a change in the Group's holding percentage and its interest in the investee's net assets, such difference shall be adjusted to capital surplus-Investment accounted for using the equity method and long-term equity investment accounts. The Group elected to reset the capital surplus-Investment accounted for using the equity method to zero against the retained earnings at the date of transition to IFRSs.

(9) Reconciliations of consolidated statement of comprehensive income

The consolidated income statement prepared under R.O.C. GAAP and the Regulations Governing the Preparation of Financial Reports by Securities Issuers before revision only presented the following components of operating profit or loss: operating revenue, operating costs and operating expenses. Upon transitioning to TIFRS, in order to comply with the presentation of financial statements under TIFRS and the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers, certain items on the statement of comprehensive income have been reclassified. All other impact on the statement of comprehensive income as results of adjustments upon transitioning to TIFRS has been described above.

(10) Special reserve

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

(11) Others

Certain items in the previous financial statements prepared based on R.O.C. GAAP have been reclassified for comparison purposes.

安永聯合會計師事務所
EY 安永
Building a better working world
11012 台北市基隆路一段333號9樓
9F, No. 333, Sec. 1, Keelung Road
Taipei City, Taiwan, R.O.C.
Tel: 886 2 2757 8888
Fax: 886 2 2757 6050
www.ey.com/tw

English Translation of a Report Originally Issued in Chinese

Report of Independent Auditors

Independent Auditors' Report

To the Board of Directors and Stockholders of
Formosa Petrochemical Corporation

We have audited the accompanying consolidated balance sheets of Formosa Petrochemical Corporation (the "Company") and subsidiaries (the "Group") as of December 31, 2014 and December 31, 2013, and the related consolidated statements of comprehensive income, the related consolidated statements of changes in equity and cash flows for the period from January 1, 2014 to December 31, 2014, and the period from January 1, 2013 to December 31, 2013. The preparation of these consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion report on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Formosa Petrochemical Corporation and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

A member firm of Ernst & Young Global Limited

We have audited and expressed an unqualified opinion on the parent company only financial statements of Formosa Petrochemical Corporation as of and for the years ended December 31, 2014 and 2013.

Ernst & Young
March 19, 2015
Taipei, Taiwan
Republic of China

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two, the Chinese version of auditors' report and financial statements shall prevail.

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEETS

December 31, 2014 and December 31, 2013

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2014	December 31, 2013
CURRENT ASSETS			
Cash and cash equivalents	4 & 6.1	$40,653,905	$16,651,735
Financial assets at fair value through profit or loss- current	4 & 6.3 & 12	-	882,620
Available-for-sale financial assets- current	4 & 6.2 & 8 & 12	44,296,024	22,906,609
Derivative financial assets for hedging- current	4 & 6.4 & 12	7,049	8,671
Notes receivable, net	4 & 6.5	372	613
Accounts receivable, net	4 & 6.5	19,861,425	40,776,049
Accounts receivable from related parties, net	4 & 6.5 & 7	26,011,020	44,176,717
Other receivables(including from related parties)	7	15,740,276	19,941,266
Current tax assets	4 & 6.22	1,844	-
Inventories	4 & 6.6	80,664,082	80,379,415
Prepayments	6.7	32,298,118	20,768,226
Other current assets	8	747,716	5,991,084
Total current assets		260,281,831	252,483,005
NON CURRENT ASSETS			
Available-for-sale financial assets- non-current	4 & 6.8 & 12	10,729,587	13,993,274
Financial assets measured at cost-non-current	4 & 6.9	1,469,417	1,445,787
Investments accounted for using equity method	4 & 6.10	38,350,026	35,990,643
Property, plant and equipment	4 & 6.11 & 7 & 8	145,361,509	159,580,627
Natural resource	4	135,816	243,374
Investments property	4 & 6.12 & 7	301,573	291,134
Deferred tax assets- non-current	4 & 6.22	6,002,982	6,159,562
Other non-current assets	4 & 6.12 & 8	10,412,415	12,039,501
Total non-current assets		212,763,325	229,743,902
TOTAL ASSETS		$473,045,156	$482,226,907

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

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED BALANCE SHEETS

December 31, 2014 and December 31, 2013

(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2014	December 31, 2013
CURRENT LIABILITIES			
Short-term loans	6.13	$32,457,003	$28,906,373
Short-term notes and bills payable	6.13	3,500,000	3,300,000
Derivative financial liabilities for hedging- current	4 & 6.4 & 12	20,006	-
Notes payable		13,510	19,597
Accounts payable		12,835,773	6,868,825
Accounts payable to related parties	7	2,556,961	5,918,496
Other payable	7	10,513,904	9,931,558
Other payable to related parties	7	7,662,991	227,737
Current tax liabilities	4 & 6.22	4,300	2,928,527
Current portion of long-term debts	6.14 & 6.15	31,722,427	55,708,298
Other current liabilities	7 & 9	3,236,690	2,815,518
Total current liabilities		104,523,565	116,624,929
NONCURRENT LIABILITIES			
Bonds payable	6.14	53,000,000	68,000,000
Long-term loans	6.15	68,630,664	49,667,325
Deferred tax libilities	4 & 6.22	201,330	370,168
Other non-current liabilities		1,397,532	1,392,699
Lease obligations payable- non-current	7 & 9	2,496,308	2,616,767
Accrued pension liability	4 & 6.16	3,239,779	3,183,232
Total non-current liabilities		128,965,613	125,230,191
TOTAL LIABILITIES		233,489,178	241,855,120
EQUITY ATTRIBUTE TO SHAREHOLDERS OF THE PARENT	4 & 6.17		
Capital stock			
Common stock		95,259,597	95,259,597
Capital surplus		31,336,222	31,327,378
Retained earnings			
Legal reserve		41,271,467	38,585,641
Special reserve		3,033,784	3,033,784
Unappropriated earnings		34,871,864	52,307,013
Total retained earnings		79,177,115	93,926,438
Total equity attribute to shareholders of the parent		33,749,215	19,827,788
Others noncontrolling interest	6.17	33,829	30,586
TOTAL EQUITY		239,555,978	240,371,787
TOTAL LIABILITIES AND EQUITY		$473,045,156	$482,226,907

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

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM January 1, 2014 TO December 31, 2014

AND FOR THE PERIOD FROM January 1, 2013 TO December 31, 2013

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

	Notes	For the Period From January 1 to December 31, 2014	For the Period From January 1 to December 31, 2013
OPERATING REVENUES	4 & 6.18 & 7	$913,085,277	$931,333,890
OPERATING COSTS	4 & 6.19 & 7	903,507,025	898,078,442
GROSS PROFIT		9,578,252	33,255,448
OPERATING EXPENSES	4 & 6.19 & 7		
Selling and marketing		5,596,779	5,568,457
General and administrative		3,981,083	4,077,306
Research and development		174,911	156,453
Total operating expenses		9,752,773	9,802,216
OPERATING INCOME(LOSS)		(174,521)	23,453,232
NON-OPERATING INCOME AND EXPENSES			
Other income	6.20	4,095,666	3,900,657
Other gains and losses	6.20	6,329,914	4,851,896
Financial costs	6.20	(2,922,684)	(3,324,671)
Share of profits of associates and joint venture	4 & 6.10	1,771,164	2,134,760
Total non-operating income and expenses		9,274,060	7,562,642
INCOME BEFORE TAX		9,099,539	31,015,874
INCOME TAX EXPENSE	4 & 6.22	29,962	4,156,573
NET INCOME		9,069,577	26,859,301
OTHER COMPREHENSIVE INCOME	6.21		
Exchange differences arising on translation of foreign operations		21,602	16,191
Unrealized gains or losses on available-for-sale financial assets		12,544,200	9,193,855
Cash flow hedge		(21,627)	70,560
Share of other comprehensive income of associates and joint venture		1,373,611	348,739
Income tax benefit (expense) related to components of other comprehensive income		3,677	(11,995)
Other comprehensive income (loss) for the period, net of income tax		13,921,463	9,617,350
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		$22,991,040	$36,476,651
NET INCOME ATTRIBUTABLE TO:			
Shareholders of the parent		$9,065,576	$26,858,263
Noncontrolling interests		4,001	1,038
		$9,069,577	$26,859,301
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Shareholders of the parent		$22,987,003	$36,475,571
Noncontrolling interests		4,037	1,080
		$22,991,040	$36,476,651
EARNINGS PER SHARE (NTD)			
Basic earnings per share	4 & 6.23		
Continuing Operating Income Before Tax		$0.95	$3.26
Net Income		$0.95	$2.82

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

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM January 1, 2014 TO December 31, 2014

AND FOR THE PERIOD FROM January 1, 2013 TO December 31, 2013

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent										
			Retained Earnings			Others					
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized gain or loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total	Noncontrolling Interest	Total Equity
Balance as of January 1, 2013	$95,259,597	$31,243,284	$38,313,746	$3,033,784	$28,197,395	$(217,464)	$10,479,313	$(51,369)	$206,258,286	$31,462	$206,289,748
Appropriation of 2012 earnings:											
Legal reserve	-	-	271,895	-	(271,895)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,476,750)	-	-	-	(2,476,750)	-	(2,476,750)
Changes in other capital reserves:											
Joint venture and associates change in equity under equity method	-	84,094	-	-	-	-	-	-	84,094	-	84,094
Net income for the period from January 1 to December 31, 2013	-	-	-	-	26,858,263	-	-	-	26,858,263	1,038	26,859,301
Other comprehensive income for the period from January 1 to December 31, 2013	-	-	-	-	-	182,054	9,376,689	58,565	9,617,308	42	9,617,350
Total comprehensive income	-	-	-	-	26,858,263	182,054	9,376,689	58,565	36,475,571	1,080	36,476,651
Increase (Decrease) in noncontrolling interests	-	-	-	-	-	-	-	-	-	(1,956)	(1,956)
Balance as of December 31, 2013	$95,259,597	$31,327,378	$38,585,641	$3,033,784	$52,307,013	$(35,410)	$19,856,002	$7,196	$240,341,201	$30,586	$240,371,787
Balance as of January 1, 2014	$95,259,597	$31,327,378	$38,585,641	$3,033,784	$52,307,013	$(35,410)	$19,856,002	$7,196	$240,341,201	$30,586	$240,371,787
Appropriation of 2013 earnings:											
Legal reserve	-	-	2,685,826	-	(2,685,826)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(23,814,899)	-	-	-	(23,814,899)	-	(23,814,899)
Changes in other capital reserves:											
Joint venture and associates change in equity under equity method	-	8,844	-	-	-	-	-	-	8,844	-	8,844
Net income for the period from January 1 to December 31, 2014	-	-	-	-	9,065,576	-	-	-	9,065,576	4,001	9,069,577
Other comprehensive income for the period from January 1 to December 31, 2014	-	-	-	-	-	1,200,103	12,739,274	(17,950)	13,921,427	36	13,921,463
Total comprehensive income	-	-	-	-	9,065,576	1,200,103	12,739,274	(17,950)	22,987,003	4,037	22,991,040
Increase (Decrease) in noncontrolling interests	-	-	-	-	-	-	-	-	-	(794)	(794)
Balance as of December 31, 2014	$95,259,597	$31,336,222	$41,271,467	$3,033,784	$34,871,864	$1,164,693	$32,595,276	$(10,754)	$239,522,149	$33,829	$239,555,978

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

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM January 1, 2014 TO December 31, 2014

AND FOR THE PERIOD FROM January 1, 2013 TO December 31, 2013

(Expressed in Thousands of New Taiwan Dollars)

CASH FLOWS FROM OPERATING ACTIVITIES	For the period from January 1 to December 31, 2014	For the period from January 1 to December 31, 2013
Income before income tax	$9,099,539	$31,015,874
Income and adjustment items :		
Depreciation and Depletion	21,828,475	22,095,153
Amortization	3,236,780	3,348,633
Interest expense	2,922,684	3,324,671
Share of profits of associates and joint venture	(1,771,164)	(2,134,760)
Net loss (gain) of financial liabilities at fair value through profit or loss	(599,206)	(1,303,812)
(Gain) loss on disposal and abandoned of property, plant and equipment	50,313	43,634
(Gain) loss on disposal of available-for-sale financial assets-current	(209,573)	-
Impairment loss of financial instrument	-	21,637
Impairment loss of non-financial instrument	52,774	18,248
Interest income	(571,011)	(467,236)
Dividends income	(758,587)	(288,415)
Changes in operating assets and liabilities:		
Net changes in financial assets/ liabilities at fair value through profit or loss	1,481,826	(209,270)
Decrease (Increase) in notes receivable (including related parties)	241	2,527,174
Decrease (Increase) in accounts receivable (including related parties)	39,080,321	(8,221,935)
Decrease (Increase) in other receivables (including related parties)	2,362,662	(211,521)
Decrease (Increase) in inventories	(284,667)	(4,382,641)
Decrease (Increase) in prepayments	(11,525,517)	(5,137,591)
Decrease (Increase) in other current assets	(110,972)	(275,301)
Increase (Decrease) in notes payable	(6,087)	(13,093)
Increase (Decrease) in accounts payable (including related parties)	2,605,413	(2,497,442)
Increase (Decrease) in accrued expenses	482,612	(196,107)
Increase (Decrease) in other current liabilities	421,172	2,346,842
Increase (Decrease) in accrued pension cost	56,547	56,304
Cash from operating activities	67,844,575	39,459,046
Income taxes paid	(2,964,614)	(45,136)
Net cash provided by operating activities	64,879,961	39,413,910

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

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

FORMOSA PETROCHEMICAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM January 1, 2014 TO December 31, 2014

AND FOR THE PERIOD FROM January 1, 2013 TO December 31, 2013

(Expressed in Thousands of Dollars)

CASH FLOWS FROM INVESTING ACTIVITIES	For the period from January 1 to December 31, 2014	For the period from January 1 to December 31, 2013
Decrease in other receivables- due from affiliates	$1,812,783	$6,948,479
Acquisition of available-for-sale financial assets	(500,000)	-
Acquisition of financial assets measured at cost	(23,630)	-
Acquisition of long-term equity investments	(1,162,876)	(12,751,476)
Decrease (Increase) in other financial assets	(123,211)	1,010
Acquisition of property, plant and equipment:		
Cost paid	(6,192,572)	(9,771,715)
Interest paid	(115,992)	(76,070)
Acquisition of natural resources	(65,625)	-
Proceeds from disposal of property, plant and equipment	7,243	316
Proceeds from disposal of available-for-sale financial assets-current	764,057	-
Decrease (Increase) in other non-current assets	(2,844,524)	(3,485,673)
Interests received	596,556	449,960
Dividends received	2,716,831	1,922,896
Net cash provided by (used in) financing activities	(5,130,960)	(16,762,273)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	3,550,630	3,721,783
Increase (decrease) in short-term notes and bills payable	200,000	(9,700,000)
Derecognise derivative financial assets for hedging	-	(76,354)
Increase (decrease) in other payable-due to affiliates	7,662,991	(1,000,000)
Increase (decrease) in other non-current assets	4,833	(442,348)
Proceeds from issuance of bonds	6,000,000	20,000,000
Repayment of bonds	(18,000,000)	(15,000,000)
Increase in long-term bank loans	72,534,490	21,487,568
Decrease in long-term bank loans	(81,077,519)	(40,231,195)
Interest paid	(3,053,028)	(3,403,237)
Refundment (payment) of cash dividends	(23,814,256)	(2,477,118)
Decrease in noncontrolling interests	(794)	(1,956)
Net cash provided by (used in) financing activities	(35,992,653)	(27,122,857)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	245,822	(10,412)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	24,002,170	(4,481,632)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	16,651,735	21,133,367
CASH AND CASH EQUIVALENTS, END OF PERIOD	$40,653,905	$16,651,735

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

Formosa Petrochemical Corporation
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013
(Amounts expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. HISTORY AND ORGANIZATION

Formosa Petrochemical Corporation (the "Company") had prepared for incorporation since March 1992, and was incorporated on April 6, 1992. The Company is located in the No.6 Naphtha Cracker Complex in Mailiao of Yunlin County. The major shareholders of the Company are Formosa Plastics Corporation, Nan Ya Plastics Corporation and Formosa Chemicals & Fiber Corporation with equity interests of 28.79%, 23.34% and 24.38%, respectively, as of December 31, 2014. The principal activities of the Company include operation of petroleum refining and integrated manufacture of hydrocarbon.

The Company's shares were approved to be listed on the Taiwan Stock Exchange on November 12, 2003 and were traded publicly starting from December 26, 2003.

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2014 and 2013 were authorized for issue in accordance with a resolution of the Company's board of directors on March 19, 2015.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission ("FSC") and would be applicable for annual periods beginning on or after 1 January 2015, but not yet adopted by the Group at the date of issuance of the Group's financial statements are listed below.

A. *Improvements to International Financial Reporting Standards (issued in 2010):*

IFRS 1 "First-time Adoption of International Financial Reporting Standards"
The annual improvements to International Financial Reporting Standards ("IFRS") issued in 2010 made the following amendments to IFRS 1: If a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS in accordance with paragraph 23 of IFRS 1.

Furthermore, the amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. The amendment also expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities. The exemption will be applied on an item-by-item basis. All such assets will also need to be tested for impairment at the date of transition. The amendment allows entities with rate-regulated activities to use the carrying amount of their property, plant and equipment and intangible balances from their previous GAAP as its deemed cost upon transition to IFRS. These amendments became effective for annual periods beginning on or after January 1, 2011.

IFRS 3 "Business Combinations"

Under the amendment, IFRS 3 (as revised in 2008) do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Furthermore, the amendment limits the scope of the measurement choices for non-controlling interest. Only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation could be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value. The amendment also requires an entity in a business combination to account for the replacement of the acquiree's share-based payment transactions (when the acquirer is not obliged to do so) as new share-based payment awards in the post-combination financial statements. Outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions: if vested — they are part of non-controlling interest; if unvested — they are measured at market based value as if granted at acquisition date, and allocated between NCI and post-combination expense. These amendments became effective for annual periods beginning on or after July 1, 2010.

IFRS 7 "Financial Instruments: Disclosures"

The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment became effective for annual periods beginning on or after January 1, 2011.

IAS 1 "Presentation of Financial Statements"

The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment became effective for annual periods beginning on or after January 1, 2011.

IAS 34 "Interim Financial Reporting"

The amendment clarifies that if a user of an entity's interim financial report have access to the most recent annual financial report of that entity, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. Furthermore the amendment adds disclosure requirements around disclosures of financial instruments and contingent liabilities/assets. The amendment is effective for annual periods beginning on or after January 1, 2011.

IFRIC 13 "Customer Loyalty Programs"

The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is effective for annual periods beginning on or after January 1, 2011.

B. *IFRS 1 "First-time Adoption of International Financial Reporting Standards" — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*

IFRS 1 has been amended to allow first-time adopters to utilize the transitional provisions of IFRS 7 *Financial Instruments: Disclosures*. These provisions give relief from providing comparative information in the disclosures required by amendments to IFRS 1 in the first year of application. The amendment is effective for annual periods beginning on or after July 1, 2010.

C. *IFRS 1 "First-time Adoption of International Financial Reporting Standards" — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

The amendment has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The amendment also removes the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions. The amended standard has these dates coinciding with the date of transition to IFRS. The amendment is effective for annual periods beginning on or after July 1, 2011.

D. *IFRS 7 "Financial Instruments: Disclosures" (Amendment)*

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, or financial assets are not derecognised in their entirety. The amendment is effective for annual periods beginning on or after July 1, 2011.

E. *IAS 12 "Income Taxes" — Deferred Taxes: Recovery of Underlying Assets*

The amendment to IAS 12 introduce a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. The amendment also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. As a result of this amendment, SIC 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* has been withdrawn. The amendment is effective for annual periods beginning on or after January 1, 2012.

F. *IFRS 10 "Consolidated Financial Statements"*

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and SIC-12. The changes introduced by IFRS 10 primarily relate to the elimination of the perceived inconsistency between IAS 27 and SIC-12 by introducing a new integrated control model. That is, IFRS 10 primarily relates to whether to consolidate another entity, but does not change how an entity is consolidated. The standard is effective for annual periods beginning on or after January 1, 2013.

G. *IFRS 11 "Joint Arrangements"*

IFRS 11 replaces IAS 31 and SIC-13. The changes introduced by IFRS 11 primarily relate to increase comparability within IFRS by removing the choice for jointly controlled entities to use proportionate consolidation, so that the structure of the arrangement is no longer the most important factor when determining the classification as a joint operation or a joint venture, which then determines the accounting. The standard is effective for annual periods beginning on or after January 1, 2013.

H. *IFRS 12 "Disclosures of Interests in Other Entities"*

IFRS 12 primarily integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities and presents those requirements in a single IFRS. The standard is effective for annual periods beginning on or after January 1, 2013. The Group followed the standard to disclose information about consolidated and unconsolidated entities.

I. *IFRS 13 "Fair Value Measurement"*

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosures required. The standard is effective for annual periods beginning on or after January 1, 2013. After estimated, the standard has non-significant influence on financial position and operating results of the Group. The Group will follow the regulation to add disclose of fair value.

J. *IAS 1 "Presentation of Financial Statements" — Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified. The amendment is effective for annual periods beginning on or after July 1, 2012. The Group followed the standard to change the expression of comprehensive income statement.

K. *IAS 19 "Employee Benefits" (Revised)*

The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in Other Comprehensive Income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, etc.. The revised standard is effective for annual periods beginning on or after January 1, 2013.

L. *IFRS 1 "First-time Adoption of International Financial Reporting Standards" — Government Loans*

The IASB has added an exception to the retrospective application of IFRS 9 (or IAS 39) and IAS 20. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. The amendment is effective for annual periods beginning on or after January 1, 2013.

M. *IFRS 7 "Financial Instruments: Disclosures" — Disclosures — Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement'. The amendment is effective for annual periods beginning on or after January 1, 2013.

N. *IAS 32 "Financial Instruments: Presentation" — Offsetting Financial Assets and Financial Liabilities*

The amendment clarifies the meaning of "currently has a legally enforceable right to set-off" in IAS 32. The amendment is effective for annual periods beginning on or after January 1, 2014.

O. *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"*

This Interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognizes these costs as a non-current asset ("stripping activity asset"), only if certain criteria are met. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. The interpretation is effective for annual periods beginning on or after January 1, 2013.

P. *Improvements to International Financial Reporting Standards (2009-2011 cycle):*

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendment clarifies that an entity that has stopped applying IFRS may choose to either: Re-apply IFRS 1, even if the entity applied IFRS 1 in a previous reporting period; or Apply IFRS retrospectively in accordance with IAS 8 (i.e., as if it had never stopped applying IFRS) in order to resume reporting under IFRS. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 1 "Presentation of Financial Statements"
The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. The opening statement of financial position (known as 'the third balance sheet') must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the third balance sheet. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 16 "Property, Plant and Equipment" (Amendment)
The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 32 "Financial Instruments: Presentation" (Amendment)
The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 34 "Interim Financial Reporting" (Amendment)
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Besides, total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment is effective for annual periods beginning on or after January 1, 2013.

Q. *IFRS 10 "Consolidated Financial Statements" (Amendment)*
The Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidating them. The amendments also set out disclosure requirements for investment entities. The amendment is effective for annual periods beginning on or after January 1, 2014.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2015 (2013 IFRSs). After evaluation, the Group considers the adoption of the above-mentioned standards and interpretations would not a significance impact in the financial statements. Other than to adoption of IAS 19 (Revised). Upon adoption of IAS 19 (Revised) and the deletion of the corridor method, the Group will recognize all of the actuarial gains and losses. The impact on the financial statement was as below:

2014/1/1

	2010 IFRSs	Adjustment	2013 IFRSs
Investments accounted for using equity method	$35,990,643	$(9,798)	$35,980,845
Deferred tax assets- non-current	6,159,562	(2,533)	6,157,029
Accrued pension liability	3,183,232	(18,485)	3,164,747
Non-controlling interests	30,586	92	30,678
Retained earnings	93,926,438	6,062	93,932,500

2014/12/31

	2010 IFRSs	Adjustment	2013 IFRSs
Investments accounted for using equity method	$38,350,026	$(8,979)	$38,341,047
Deferred tax assets- non-current	6,002,982	(19,947)	5,983,035
Others	428,692,148	-	428,692,148
Total Assets	$473,045,156	$(28,926)	$473,016,230
Accrued pension liability	$3,239,779	$(114,171)	$3,125,608
Others	230,249,399	-	230,249,399
Total Liabilities	233,489,178	(114,171)	233,375,007
Retained earnings	79,177,115	84,715	79,261,830
Non-controlling interests	33,829	530	34,359
Others	160,345,034	-	160,345,034
Total Equity	239,555,978	85,245	239,641,223
Total Liabilities And Equity	$473,045,156	$(28,926)	$473,016,230

2014/1/1~2014/12/31

	2010 IFRSs	Adjustment	2013 IFRSs
Operating Revenues	$913,085,277	$-	$913,085,277
Operating Costs	(903,507,025)	-	(903,507,025)
Gross Profit	9,578,252	-	9,578,252
Operating Expenses	(9,752,773)	574	(9,752,199)
Operating Income(Loss)	(174,521)	574	(173,947)
Non-operating Income and Expenses	9,274,060	158	9,274,218
Income Before Tax	9,099,539	732	9,100,271
Income Tax Expense	(29,962)	(79)	(30,041)
Net Income	9,069,577	653	9,070,230
Other Comprehensive Income	13,921,463	78,438	13,999,901
Total Comprehensive Income for the Period	$22,991,040	$79,091	$23,070,131
Attributable to Shareholders of the parent	$22,987,003	$78,653	$23,065,656
Attributable to non-controlling interests	$4,037	$438	$4,475

(2) Standards or interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below.

A. *IAS 36 "Impairment of Assets" (Amendment)*

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendment is effective for annual periods beginning on or after January 1, 2014.

B. *IFRIC 21 "Levies"*

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain). The interpretation is effective for annual periods beginning on or after January 1, 2014.

C. *IAS 39 "Financial Instruments: Recognition and Measurement" (Amendment)*

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after January 1, 2014.

D. *IAS 19 "Employee Benefits" (Defined benefit plans: employee contributions)*

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment is effective for annual periods beginning on or after July 1, 2014.

E. *Improvements to International Financial Reporting Standards (2010-2012 cycles):*

IFRS 2 "Share-based Payment"

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 3 "Business Combinations"

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 *Financial Instruments* to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after July 1, 2014.

IFRS 8 "Operating Segments"
The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after July 1, 2014.

IFRS 13 "Fair Value Measurement"
The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement as consequential amendments* from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 "Property, Plant and Equipment"
The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 24 "Related Party Disclosures"
The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 38 "Intangible Assets"
The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July, 2014.

F. *Improvements to International Financial Reporting Standards (2011-2013 cycles):*
IFRS 1 "First-time Adoption of International Financial Reporting Standards"
The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 3 "Business Combinations"
This amendment clarifies that paragraph 2(a) of IFRS 3 Business Combinations excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after July 1, 2014.

IFRS 13 "Fair Value Measurement"

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 40 "Investment Property"

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property*, separate application of both standards independently of each other is required. The amendment is effective for annual periods beginning on or after July 1, 2014.

G. *IFRS 14 "Regulatory Deferral Accounts"*

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after January 1, 2016.

H. *IFRS 11 "Joint Arrangements" (Accounting for Acquisitions of Interests in Joint Operations)*

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 "Business Combinations", and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after January 1, 2016.

I. *IAS 16"Property, Plant and Equipment and IAS 38 "Intangible Assets" — Clarification of Acceptable Methods of Depreciation and Amortization*

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after January 1, 2016.

J. *IFRS 15 "Revenue from Contracts with Customers"*
The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The Standard is effective for annual periods beginning on or after January 1, 2017.

K. *IAS 16"Property, Plant and Equipment and IAS 41 "Agriculture"* — Agriculture: Bearer Plants
The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendment is effective for annual periods beginning on or after January 1, 2016.

L. *IFRS 9"Financial Instruments"*
The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on
classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after January 1, 2018.

M.*IAS 27"Separate Financial Statements" — Equity Method in Separate Financial Statements*
The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In 2003, the equity method was removed from the options. This amendment removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions.

The amendment is effective for annual periods beginning on or after January 1, 2016.

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

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The amendment is effective for annual periods beginning on or after January 1, 2016.

O. *Improvements to International Financial Reporting Standards (2012-2014 cycle):*

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendment clarifies that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendment is effective for annual periods beginning on or after January 1, 2016.

IFRS 7 "Financial Instruments: Disclosures"

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 *Financial Instruments: Disclosures* is required. The amendment also clarifies that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 *Interim Financial Reporting*. The amendment is effective for annual periods beginning on or after January 1, 2016.

IAS 19 "Employee Benefits"

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendment is effective for annual periods beginning on or after January 1, 2016.

IAS 34 "Interim Financial Reporting"

The amendment clarifies what is meant by "elsewhere in the interim financial report" under IAS 34; the amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is effective for annual periods beginning on or after January 1, 2016.

P. *IAS 1 "Presentation of Financial Statements" (Amendment):*

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2016.

Q. *IFRS 10"Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", and IAS 28"Investments in Associates and Joint Ventures" — Investment Entities: Applying the Consolidation Exception*

The amendments contain (1) clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, (2) clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity are measured at fair value, and (3) allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendment is effective for annual periods beginning on or after January 1, 2016.

The abovementioned standards and interpretations issued by IASB have not yet recognized by FSC at the date of issuance of the Group's financial statements, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (A)、(C)~(F)、(H)~(J)、(L)~(P), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2014 and 2013 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations issued by the International Financial Reporting Interpretations Committee and the former Standing Interpretations Committee as endorsed by the FSC ("TIFRS").

(2) Basis of preparation

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

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

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

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

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

If the Group loses control of a subsidiary, it:

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

B. The consolidated entities are listed as follows:

Investor	Subsidiaries	Main business	Percentage of ownership (%) December 31, 2014	Percentage of ownership (%) December 31, 2013
The Company	Formosa Oil (Asia Pacific) Corp.	Sales Retailer	100%	100%
The Company	Formosa Petrochemical Transportation Corp.	Transportation Service	88%	88%
The Company	FPCC USA, INC.	Oil exploration & production	100%	100%
The Company	Formosa Dredging Corporation	Leasing on ships	100%	100%
Formosa Dredging Corporation	Formosa Petrochemical Marine Company Limited	Transportation	100%	100%

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

Investor	Subsidiaries	Main business	Percentage of ownership (%) December 31, 2014	Percentage of ownership (%) December 31, 2013	Reason
Formosa Oil (Asia Pacific) Corp.	Whale Home International Co.	Sales Retailer	49.00%	49.00%	Note 1
Formosa Petrochemical Transportation Corp.	Whale Home International Co.	Sales Retailer	15.69%	15.69%	Note 1
Formosa Oil (Asia Pacific) Corp.	Jia Fu Petroleum Corp.	Sales Retailer	98.83%	98.83%	Note 2

Note1：The total percentages of ownership of Formosa Oil (Asia Pacific) Corporation and Formosa Petrochemical Transportation Corporation in Whale Home International Co., Ltd. were both 64.49% as of December 31, 2014 and December 31, 2013. However, because the total assets, liabilities and net income of Whale Home International Co., Ltd. accounted for only 0.09%, 0.04% and 0.02% of the Company’s corresponding accounts as of December 31, 2014 and December 31, 2013, Whale Home International Co., Ltd was not included in the consolidated financial statement.

Note2：The total percentage of ownership of Formosa Oil (Asia Pacific) Corporation in Jia Fu Petroleum Corp. were both 98.83% as of December 31, 2014 and December 31, 2013. However, because the total assets, liabilities and net income of Jia Fu Petroleum Corp., all accounted for only 0% of the Company's corresponding accounts as of December 31, 2013, Jia Fu Petroleum Corp. was not included in the consolidated financial statement. Jia Fu Petroleum Corp was liquidated on April 14, 2014. The Formosa Oil (Asia Pacific) Corporation will derecognize Jia Fu Petroluem Corp after the national tax authority returns the overpaid business tax.

(4) Foreign currency transactions

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

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

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

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

(b) Foreign currency items within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are accounted for based on the accounting policy for financial instruments.

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

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:
(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (included the time deposits with maturing of less than 3 months repurchase bonds and commercial papers).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets

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

Financial assets of the Group are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or

iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

i. significant financial difficulty of the issuer or obligor
ii. a breach of contract, such as a default or delinquency in interest or principal payments
iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation
iv. the disappearance of an active market for that financial asset because of financial difficulties

For loans and receivables, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

(b) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(c) Offsetting of financial instruments

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

(d) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

(9) Derivative financial instrument

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

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

(10) Inventories

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

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

Raw materials – Purchase cost on a first in, first out basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

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

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

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in additional paid in capital and investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes of the associate.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 39 *Financial Instrument: Recognition and Measurement*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment

(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

The Group recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

(12) Property, plant and equipment

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

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

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

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

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

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

(13) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of *IAS 16* for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*.

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

Assets are transferred to or from investment properties when there is a change in use.

(14) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental revenue generated from operating leases was recognized over the lease term using the straight line method. Contingent rents are recognized as revenue in the period in which they are earned.

(15) Exploration and evaluation assets

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

(16) Impairment of non-financial assets

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

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

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

(17) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

(a) The significant risks and rewards of ownership of the goods have passed to the buyer.
(b) Neither continuing managerial involvement nor effective control over the goods sold has been retained.
(c) The amount of revenue can be measured reliably.
(d) It is probable that the economic benefits associated with the transaction will flow to the entity.
(e) The costs incurred in respect of the transaction can be measured reliably.

For the customer loyalty points program that the Company operates, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(18) Borrowing costs

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

(19) Post-employment benefits

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

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The Group amortizes a portion of its actuarial gains and losses as income or expense over the expected remaining average working years if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of any plan assets.

(20) Income taxes

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

Current income tax

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

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

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

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

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Judgment

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

Financing lease commitment－Company as the lessor

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

(2) Estimates and assumptions

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

(a) Fair value of financial instruments

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

(b) Pension benefits

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

(c) Revenue recognition – Customer loyalty program

The Group estimates the fair value of points awarded under the customer loyalty program by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences. As points issued under the program do not expire, such estimates are subject to significant uncertainty. Please refer to Note 6 for more details.

(d) Revenue recognition – sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(e) Income tax

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

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred tax assets.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Cash on hand and petty cash	$69,176	$66,502
Checking accounts	930,322	324,307
Demand deposits	10,329,727	10,484,489
Time deposits	28,577,217	4,797,884
Commercial paper	220,761	441,058
Repurchase bonds	526,702	537,495
Total	$40,653,905	$16,651,735

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

(2) Available-for-sale financial asset-current

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Listed securities	$21,966,927	$13,821,806
Fund	260,148	60,000
Less: Accumulated impairment	(1,584,749)	(2,250,140)
Add(Less): Adjustments	23,653,698	11,274,943
Total	$44,296,024	$22,906,609

In December, 2012, the Group participated in the private placement of Nan Ya Technology Corporation and paid NT$6,000,000 thousand for 216,788 thousand shares (after capital reduction). These securities had passed lock-up period at the fourth quarter of 2014. According to the Company's purpose for holding such shares, they were reclassified from available for sale-non-current to available for sale-current.

With respect to the above-mentioned available-for-sale financial assets-current, Nan Ya Technology Corporation had conducted capital reduction to offset its loss on June 24, 2014 and had completed registration for the capital reduction in July 2014. The Group held 220,790 thousand shares before capital reduction. After the capital reduction, the remaining shares were 22,098 thousand shares and the capital reduction ratio was 89.991606%.

In December 2014, the Group disposed of 6,535 thousand shares of Nan Ya Technology Corporation (after capital reduction) at NT$ 464,037 thousand with cost at NT$254,632 thousand (original cost at NT$920,023 less accumulated impairment of NT$665,391 thousand).Gain on disposal of available-for-sale financial assets was NT$209,405 thousand recorded in non-operating other gains and losses.

Please refer to Note 8 for details of available-for-sale financial assets-current pledged as collaterals. As of December 31, 2014 the total amount of accumulated impairment recognized by Nan Ya Technology Corporation was NT$1,584,749 thousand.

(3) Financial assets (liabilities) at fair value through profit or loss-current and non-current

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Financial assets held for trading:		
Derivative financial instruments		
Non-delivery forward foreign exchange contracts	$-	$882,620
Total	$-	$882,620
Current	$-	$882,620
Non-current	-	-
Total	$-	$882,620

The Company recognized financial assets (liabilities) gains of NT$599,206 thousand and NT$1,303,812 thousand for the years ended December 31, 2014 and 2013, respectively.

A. Delivery & Non-delivery Forward contract:

a. In order to hedge the exchange rate risk arising from USD crude oil and refined oil guaranteed loans and raw material purchases, the Company has signed long-term forward contracts with domestic and foreign financial institutions. However, hedge accounting was not applied to these contracts as they did not meet the hedge accounting criteria. Accordingly, these contracts were treated as held for trading purposes. Please refer to Note 12 for details of financial risk management objectives and policies, hedging strategies and activities.

b. As of December 31, 2014, non-delivery forward contracts have been settled.

The details of outstanding non-delivery forward contracts on December 31, 2013 were as follows:

		December 31, 2013		
			Book Value	
			Asset	Liability
Bank	Period	Principal	NTD	NTD
Standard Chartered Bank	2012.09.28~2014.08.29	NT$863,400	$27,732	$-
Chase Bank	2012.09.28~2014.08.29	863,550	27,001	-
ANZ Bank	2012.10.02~2014.08.29	431,475	13,060	-
ANZ Bank	2012.10.05~2014.08.29	431,550	12,984	-
Credit Agricole CIB	2012.10.05~2014.08.29	431,700	15,475	-
Chase Bank	2012.10.05~2014.08.29	1,725,600	55,516	-
DBS Bank	2012.10.12~2014.08.29	862,725	25,470	-
Chase Bank	2012.10.16~2014.08.29	2,584,800	86,907	-
ANZ Bank	2012.10.16~2014.08.29	861,150	27,937	-
DBS Bank	2012.10.16~2014.08.29	1,722,900	53,516	-
Credit Agricole CIB	2012.10.16~2014.08.29	860,850	33,510	-
Chase Bank	2012.10.17~2014.08.29	573,000	20,725	-
ANZ Bank	2012.10.17~2014.08.29	859,920	29,178	-
Credit Agricole CIB	2012.10.25~2014.08.29	1,580,675	58,975	-
DBS Bank	2012.10.25~2014.08.29	862,050	26,152	-
Credit Agricole CIB	2012.10.31~2014.08.29	574,600	21,637	-
Chase Bank	2012.10.31~2014.08.29	1,723,500	57,635	-
Credit Agricole CIB	2012.11.07~2014.08.29	1,148,000	44,479	-
ANZ Bank	2012.11.07~2014.08.29	1,147,400	38,056	-
Standard Chartered Bank	2012.11.07~2014.08.29	1,148,000	40,198	-
Chase Bank	2012.11.07~2014.08.29	2,295,400	79,471	-
Chase Bank	2012.11.08~2014.08.29	573,200	20,524	-
Standard Chartered Bank	2012.11.08~2014.08.29	573,000	21,106	-
Credit Agricole CIB	2012.11.08~2014.08.29	286,500	11,622	-
Credit Agricole CIB	2012.11.09~2014.08.29	286,000	12,124	-
ANZ Bank	2012.11.09~2014.08.29	285,900	10,473	-
Standard Chartered Bank	2012.11.09~2014.08.29	285,900	11,157	-
Subtotal		NT$25,842,745	882,620	-
Less: Financial assets (liabilities) at fair value through profit or loss - current			882,620	-
Financial assets (liabilities) at fair value through profit or loss - non - current			$-	$-

B. Cross-currency swap contracts

a. In order to hedge against the risk of fluctuations in foreign exchange rate of the USD borrowings, the Company entered into cross-currency swap (CCS) contracts with various banks. However, hedge accounting was not applied to these contracts as they failed to meet the hedge criteria. Accordingly, these contracts were treated as held for trading purposes. Please accounting refer to Note 12 for details of financial risk management objectives and policies, hedging strategies and activities.

b. As of December 31, 2014, CCS have been settled.

The details of outstanding CCS on December 31, 2013 were as follows:

December 31, 2013		
Bank	Period	Principal
ANZ Bank	Jun.29, 2012~Jun.29, 2014	NT$2,990,000
ANZ Bank	Nov.28, 2012~Nov.28, 2014	2,915,000
Citibank	Jul.18, 2013~Jan.14, 2014	2,990,000
DBS Bank	Mar.29, 2013~ Mar.24, 2014	897,000
DBS Bank	Apr.29, 2013~ Apr.29, 2014	2,962,000
Credit Agricole CIB	Jul.15, 2013~ Jan.15, 2014	2,393,600
DBS Bank	Jul.15, 2013~Jan.15, 2014	2,994,500
HSBC Bank	Jul.30, 2013~Jan.29, 2014	1,345,950
Standard Chartered Bank	Jul.30, 2013~Jan.24, 2014	1,496,500
Bank of America	Jul.31, 2013~Jan.29, 2014	1,496,500
Deutsche Bank	Jul.30, 2013~Jan.29, 2014	1,496,500
Total		NT$23,977,550

(4) Derivative financial assets (liabilities) for hedging-current or non-current

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Financial assets for hedging		
Financial Derivatives		
Energy commodity swap contracts	$7,049	$8,671
Total	$7,049	$8,671
Current	$7,049	$8,671
Non-current	-	-
Total	$7,049	$8,671
Financial liability for hedging		
Financial Derivatives		
Energy commodity swap contracts	$20,006	$-
Total	$20,006	$-
Current	$20,006	$-
Non-current	-	-
Total	$20,006	$-

A. As of December 31, 2014 there were 32 energy commodity swap contracts outstanding. The Company used these contracts to hedge the fluctuations of international crude oil and petroleum product prices. The swap contracts entered into by the Company are highly correlated with the price movement of the hedged items and periodic reviews are conducted on the swap contracts undertaken. All energy commodity swap contracts currently held by the Company are held for non-trading purposes. The Company has not entered into any swap contracts for purposes other than hedging. Please refer to Note 12 for details of the company's financial risk management objectives and policies, hedging strategies and activities.

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

		December 31, 2014		
			Book Value	
		Notional	Asset	Liability
Type of Transaction	Pricing Period	Quantity	NTD	NTD
Singapore gasoil/ Dubai Crack Swap	Jan.1, 2015~ Sep.30, 2015	800(1,000 bbls)	$7,049	$(20,006)
Total			7,049	(20,006)
Less: Derivative financial assets (liabilities) for hedging-current			7,049	(20,006)
Derivative financial assets (liabilities) for hedging-non-current			$-	$-

		December 31, 2013		
			Book Value	
		Notional	Asset	Liability
Type of Transaction	Pricing Period	Quantity	NTD	NTD
Singapore gasoil/ Dubai Crack Swap	May.1, 2014~ July.31, 2014	75(1,000 bbls)	$3,444	$-
Singapore diesel fuel / Dubai Crack Swap	Apr.1, 2014~ Jun.30, 2014	75(1,000 bbls)	2,426	-
Singapore Jet fuel/ Dubai Crack Swap	Apr.1, 2014~ Jun.30, 2014	75(1,000 bbls)	2,801	-
Total			8,671	-
Less: Derivative financial assets (liabilities) for hedging-current			8,671	-
Derivative financial assets (liabilities) for hedging-non-current			$-	$-

(5) Notes and accounts receivable

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
A. Notes receivable	$372	$613
Less: Allowance for doubtful accounts	-	-
Notes receivable, net	$372	$613
B. Accounts receivable	$20,318,852	$41,625,970
Less: Allowance for doubtful accounts	(457,427)	(849,921)
Accounts receivable, net	$19,861,425	$40,776,049
C. Accounts receivable-related parties	$26,011,020	$44,176,717
Less: Allowance for doubtful accounts	-	-
Accounts receivable, related parties, net	$26,011,020	$44,176,717

The notes receivable and accounts receivable were generated due to operations and did not hold any collaterals.

Accounts receivable are generally on 30 day terms. The movements in the provision for impairment of accounts receivable and notes receivable are as follows:

	Groups assessment for impairment	
Individually impaired	For the year ended December 31, 2014	For the year ended December 31, 2013
Amount at beginning of period	$849,921	$795,127
Charge/reversal for the current period	(392,494)	54,794
Write off	-	-
Amount at end of period	$457,427	$849,921

Accounts receivable and accounts receivable from related parties, net－the aging analysis is as follows:

	As of	
	December 31, 2014	December 31, 2013
Not past due(1-30 days)	$45,182,641	$82,633,430
Past due 1-30 days	687,699	2,316,626
Past due 31-60 days	522	2,505
Past due 61-90 days	1,583	205
Total	$45,872,445	$84,952,766

The above table is based on the length of time overdue. None of them were actually impaired.

(6) Inventories

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Raw materials	$34,034,618	$14,533,334
Supplies	10,407,160	10,096,002
Work in process	16,107,418	19,729,837
Finished goods	22,770,172	32,714,905
Goods in transit	2,093,091	3,528,623
By-product	4,079	4,099
Total	85,416,538	80,606,800
Less: Allowance for inventory valuation losses	(4,752,456)	(227,385)
Inventories, net	$80,664,082	$80,379,415

A. Certain inventories (crude oil and petroleum product) have been pledged as collaterals (in accordance with contractual terms and based on the price calculated with respect to the international market's condition) for the USD 900 million medium-term syndicated loan provided by Citibank. Please refer to Note 8 for details. The syndicated loan was fully repaid on December 31, 2014.

B. The cost of inventories recognized in expenses amounted to NT$903,507,025 thousand and NT$898,078,442 thousand for the years ended December 31, 2014 and 2013, including the expense (benefit) from inventory written down to its respective net realizable value of NT$4,525,071 thousand and NT$(328,002) thousand for the years ended December 31, 2014 and 2013.

C. Because of the rising prices of the crude oil and light oil, the Group had recognized gain from price recovery of inventory in the amount of NT$328,002 thousand for the year ended December 31, 2013.

(7) Prepaid expense

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Prepaid expense-Maintenance	$12,669,087	$12,499,322
Prepaid expense-Material	16,508,002	6,239,520
Prepaid expense-Rent	329,350	331,164
Prepaid expense-Insurance	128,531	228,557
Overpaid sales tax	2,139,603	1,140,507
Prepaid expense-Others	523,545	329,156
Total	$32,298,118	$20,768,226

(8) Available-for-sale financial asset- non-current

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Listed securities	$2,250,000	$8,250,000
Add(subtract): Valuation adjustments	8,479,587	5,743,274
Total	$10,729,587	$13,993,274

In December, 2012 and November, 2011, the Group participated in the private placement of Nan Ya Technology Corporation and acquired NT$2,250,000 thousand and NT$6,000,000 thousand worth of securities to obtain 1,323,529 thousand shares and 2,166,065 thousand shares, respectively. Such financial instruments were accounted for as the available-for-sale financial asset-non-current.

With respect to the above-mentioned available-for-sale financial assets-current, Nan Ya Technology Corporation had conducted capital reduction to offset its loss on June 24, 2014 and had completed registration for the capital reduction in July 2014. The Group held 3,489,594 thousand shares before capital reduction. After the capital reduction, the remaining shares were 349,252 thousand shares and the capital reduction ratio was 89.991606%.

Upon expiration of the lock-up period, the Group reclassified the 216,788 thousand shares (after capital deduction) from available-for-sale financial asset-non-current to available-for-sale financial asset-current in December 2014. The Group held 132,464 thousand shares at the end of period.

(9) Financial assets measured at cost - non-current

	As of	
	December 31, 2014	December 31, 2013
Investee	NTD	NTD
Nan Ya Photonics Incorporation	$294,583	$294,583
Asia Pacific Investment Corporation	117,500	117,500
Formosa Network Technology Corporation	13,331	13,331
Formosa Heavy Industries Corporation	116,955	116,955
Formosa Ocean Group Marine Investment Corporation	856,948	856,948
Amtrust Capital Corporation	50,000	50,000
Tai Yi Feng Corporation	15,000	15,000
Eco Trust Japan Co. Ltd.	23,630	-
Subtotal	1,487,947	1,464,317
Less: Accumulated impairment	(18,530)	(18,530)
Total	$1,469,417	$1,445,787

A. The non-listed (non-OTC) equity investments held by the Company are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for the investment and that the probabilities of the various estimates within the range can not be reasonably assessed and used when measuring fair value.

B. As of December 31, 2014, the total amount of accumulated impairment recognized with respect to Amtrust Capital Corporation was NT$18,530 thousand.

C. Financial assets measured at cost were not pledged.

(10) Investments accounted for using the equity method

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

	As of			
	December 31, 2014		December 31, 2013	
Investee	NTD	Percentage of Ownership (%)	NTD	Percentage of Ownership (%)
Investments in associates				
Mai-Liao Power Corporation	$11,427,147	24.94	$10,882,973	24.94
Yi-Chi Construction Corporation	87,833	40.55	87,372	40.55
Mailiao Harbor Administration Corporation	2,263,872	44.96	2,350,651	44.96
Formosa Development Corporation	571,015	45.99	630,200	45.99
Formosa Marine Corporation	141,200	20.00	65,892	20.00
Simosa Oil corporation	541,154	20.00	530,576	20.00
Formosa Environmental Technology Corporation	268,003	24.34	273,956	24.34
Formosa Ha tinh Steel Corporation	-	-	15,240,073	15.53
Formosa Ha tinh (Cayman) Limited	15,761,452	14.75	-	-
Formosa Plastics Synthetic Rubber	376,302	33.33	376,157	33.33
Formosa Plastics Synthetic Rubber(HK)	914,644	30.00	898,543	30.00
Whale Home International Corp.	207,331	64.69	205,543	64.69
TMS Corp.	37,506	49.00	38,460	49.00
Jia Fu Petroleum Corp.	440	98.83	453	98.83
FormoLight Technologies, Inc.	83,245	39.43	76,141	39.43
Formosa Resources Corporation	4,359,188	25.00	3,025,362	25.00
Formosa Group (Cayman) Limited	21,941	25.00	361	25.00
Formosa Group Investment (Cayman) Limited	384	25.00	-	-
Subtotal	37,062,657		34,682,713	
Investments in jointly controlled entities				
Caltex Taiwan Corporation	65,824	50.00	51,453	50.00
Neumin Oil and Gas, LLC.	20,300	50.00	19,198	50.00
Formosa Kraton Chemical Co., Ltd.	1,190,511	50.00	1,226,996	50.00
Formosa Falkor Engineering Corporation	10,734	50.00	10,283	50.00
Subtotal	1,287,369		1,307,930	
Total	$38,350,026		$35,990,643	

A. Investments in associates

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

(b) The Group invested in "Formosa Ha Tinh Steel Corporation" in Vietnam in accordance with the decision resolved at the board of directors' meeting back in April, 2008. As of December 31, 2014, US$516,250 thousand, approximately NT$15,369,735 thousand, have been remitted to Formose Ha Tinh Steel Corporation. The Group held less than 20% of the voting power but still has significant influence on the investee so equity method was adopted. In 2014, the associate issued new stock and the Group's interest in it was reduced as the Company failed to acquire the newly issued shares proportionately to its original ownership interest. NT$8,844 of interest in the associate was recognized in additional paid in capital and investment.

(c) The Group conducted reorganization in September 2014 and transferred all of Formosa Ha Tinh Steel Corporation shares to Formosa Ha Tinh (Cayman) Limited as consideration of investment in Formosa Ha Ting (Cayman) Limited. Although the Group held less than 20% of the voting power of Formosa Ha Tinh (Cayman) Limited, the Group still has significant influence and equity method was adopted.

(d) Financial information of the Group's associates was summarized as follows:

	December 31, 2014	December 31, 2013
	NTD	NTD
Total assets (100%)	$367,595,727	$195,704,521
Total liabilities (100%)	$181,583,171	$26,195,059

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Net revenue (100%)	$41,251,256	$42,702,801
Net income (100%)	$5,565,760	$7,793,461

B. Investments in jointly controlled entities of the Group.

(a) The Group's investment in its jointly controlled entity was summarized as follows:

Name	Main Business	Remark
Caltex Taiwan Corporation	Petroleum products wholesale and retail and airport refuelling	None
NEUMIN OIL AND GAS, LCC.	Oil exploration	None
Formosa Kraton Chemical Co.,Ltd.	Synthetic Rubber Manufacturing	In preparatory period as of December 31, 2014
Formosa Falkor Engineering Corporation	Plumbing, painting works	None

(b) The Group recognized the jointly controlled entities in the consolidated financial statements through equity method.

The Group's share of assets and liabilities in the jointly controlled entities:

	December 31, 2014	December 31, 2013
Current Assets	$639,864	$1,430,412
Non-current Asset	$1,083,269	$360,659
Current Liabilities	$437,645	$485,767
Non-current Liabilities	$831	$846

The Group's share of the revenues and expenses in the jointly controlled entities:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Operating Income	$5,269,649	$4,068,307
Operating Costs	$5,196,097	$4,015,378
Operating Expenses	$80,188	$51,702
Non-Operating Income and Expenses	$3,876	$9,031
Income Tax Expense	$(545)	$1,955
Other comprehensive income	$-	$-

C. The above-mentioned investment income under the equity method amounted to NT$38,350,026 thousand and NT$35,990,643 thousand as of December 31, 2014 and December 31, 2013, respectively. The related share of profits of associates and joint venture under the equity method amounted to NT$1,771,164 thousand and NT$2,134,760 thousand for the years ended December 31, 2014 and 2013, respectively. The share of other comprehensive income of associates and joint venture under the equity method amounted to NT$1,373,611 thousand and NT$348,739 thousand for the years ended December 31, 2014 and 2013, respectively. The financial statements of Yi-Chi Construction Corporation, Formosa Environmental Technology Corporation, Simosa Oil Corporation, Formosa Ha tinh Steel Corporation, Formosa Ha tinh (Cayman) Limited, Formosa Plastics Synthetic Rubber, Formosa Plastics Synthetic Rubber(HK), TMS Corp., Jia Fu Petroleum Corp, FormoLight Technologies, Inc, Formosa Group (Cayman) Limited, Formosa Group Investment (Cayman) Limited, Formosa Kraton Chemical Co., and Neumin Oil and Gas, LLC. were audited by other auditors.

D. Whale Home International Co. and Jia Fu Petroleum Corp. were not included in the consolidated financial statement. Please refer to Note 4.(3).C。

E. For those investees accounted for under the equity method, the unrealized intercompany losses and profits for the years ended December 31, 2014 and 2013 both amounted to NT$0 thousand.

F. Long-term equity investments are not pledged as collaterals for bank loans as of December 31, 2014 and 2013.

(11) Property, plant and equipment

	Land and land improvements	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Lease assets	Leasehold Improvement	Construction in progress	Total
Cost									
2014.1.1	$19,460,651	$41,741,496	$318,935,296	$3,906,869	$1,329,961	$2,919,514	$324,609	$18,362,843	$406,981,239
Additions	-	1,840	24,486	151,402	43,591	-	-	6,087,245	6,308,564
Transfer	(13,478)	597,828	19,740,732	30,675	13,807	-	-	(19,306,709)	1,062,855
Disposals	-	(315)	(522,890)	(542,872)	(51,648)	-	(12,984)	-	(1,130,709)
Exchange differences	-	-	-	310	34,138	172,343	-	-	206,791
2014.12.31	$19,447,173	$42,340,849	$338,177,624	$3,546,384	$1,369,849	$3,091,857	$311,625	$5,143,379	$413,428,740
2013.1.1	$19,444,663	$41,513,333	$316,775,483	$3,676,605	$1,265,956	$2,840,165	$339,694	$11,294,401	$397,150,300
Additions	15,988	-	26,776	218,521	53,368	-	-	9,153,796	9,468,449
Transfer	-	228,163	2,152,142	81,396	-	-	-	(2,083,004)	378,697
Disposals	-	-	(19,105)	(69,685)	(5,081)	-	(15,085)	(2,350)	(111,306)
Exchange differences	-	-	-	32	15,718	79,349	-	-	95,099
2013.12.31	$19,460,651	$41,741,496	$318,935,296	$3,906,869	$1,329,961	$2,919,514	$324,609	$18,362,843	$406,981,239
Depreciation and impairment:									
2014.1.1	$-	$17,416,874	$225,743,662	$2,852,039	$751,654	$389,268	$247,115	$-	$247,400,612
Depreciation	-	1,733,272	19,392,918	239,567	109,904	197,442	22,693	-	21,695,796
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	(315)	(466,030)	(542,180)	(51,648)	-	(12,981)	-	(1,073,154)
Transfer	-	1,428	(907)	(555)	-	-	-	-	(34)
Exchange differences	-	-	-	61	12,289	31,661	-	-	44,011
2014.12.31	$-	$19,151,259	$244,669,643	$2,548,932	$822,199	$618,371	$256,827	$-	$268,067,231
2013.1.1	$-	$15,697,166	$206,029,283	$2,651,145	$640,001	$189,344	$234,976	$-	$225,441,915
Depreciation	-	1,719,708	19,765,714	236,285	112,584	193,464	26,405	-	22,054,160
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	-	(17,743)	(68,670)	(5,081)	-	(14,266)	-	(105,760)
Transfer	-	-	(33,592)	33,279	-	-	-	-	(313)
Exchange differences	-	-	-	-	4,150	6,460	-	-	10,610
2013.12.31	$-	$17,416,874	$225,743,662	$2,852,039	$751,654	$389,268	$247,115	$-	$247,400,612
Net carrying amount as of:									
2014.12.31	$19,447,173	$23,189,590	$93,507,981	$997,452	$547,650	$2,473,486	$54,798	$5,143,379	$145,361,509
2013.12.31	$19,460,651	$24,324,622	$93,191,634	$1,054,830	$578,307	$2,530,246	$77,494	$18,362,843	$159,580,627

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

Item	For the year ended December 31, 2014	For the year ended December 31, 2013
Construction in progress	$115,992	$76,070
Capitalisation rate of borrowing costs	1.13%~1.50%	1.12%~1.50%

B. Please refer to Note 8 for details of the property, plant and equipment pledged as collaterals.

C. Interest expenses before capitalization for the years ended December 31, 2014 and 2013 were NT$3,038,676 thousand and NT$3,400,741 thousand.

(12) Investment property and Other non-current assets

A. Investment property :

	Land
Cost:	
2014.1.1	$1,038,078
Transfer	13,478
2014.12.31	$1,051,556
2013.1.1	$1,038,078
2013.12.31	$1,038,078
Impairment	
2014.1.1	$746,944
Impairment loss	3,039
2014.12.31	$749,983
2013.1.1	$745,605
Impairment loss	1,339
2013.12.31	$746,944
Net carrying amount as of:	
2014.12.31	$301,573
2013.12.31	$291,134

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

(b) The fair value of the investment property held by the Group amounted to NT$301,573 thousand and NT$291,134 thousand as of December 31, 2014 and December 31, 2013, respectively. The fair value of investment property was valued by an independent external appraisal expert – Savills Real Estate Appraisers. The fair value was determined based on the market evidence, and the evaluation method was the comparison method.

B. Other non-current assets :

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Refundable deposits	$511,345	$352,133
Prepaid expense- land and equipment	4,401,150	5,462,763
Advance	1,416,863	1,391,735
Others	4,083,057	4,832,870
Total	$10,412,415	$12,039,501

As of December 31, 2014 and December 31, 2013, the above land was temporarily registered under a third party's name, both at cost amounting to NT$9,823 thousand. A lien has been created on the land through the land administration authority of the government, and the registered amounts of the lien were both NT$90,360 thousand in order to protect the interest of the Company. The land was accounted for as the other non-current-asset.

(13) Short-term loans

	As of		
		December 31, 2014	December 31, 2013
	Interest Rate	NTD	NTD
Purchase loans	0.657%~0.817%	$90,423	$18,094,481
Credit loans	0.800%~1.300%	31,499,100	10,780,800
Mortgage loans	1.150%	800,000	-
Others	1.355%	67,480	31,092
Total		$32,457,003	$28,906,373
Short-term note payable	0.718%	$3,500,000	$3,300,000

A. The Group's unused short-term lines of credits amounted to NT$63,537,246 thousand and NT$61,234,653 thousand as of December 31, 2014 and December 31, 2013, respectively.

B. The Group's unused short-term notes payable of credits amounted to NT$11,500,000 thousand and NT$3,700,000 thousand as of December 31, 2014 and December 31, 2013, respectively. Furthermore, CTBC bank had unlimited credit in 2013.

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

(14) Bonds payable

	As of December 31, 2014	As of December 31, 2013
	NTD	NTD
Domestic unsecured unconvertible bonds	$74,000,000	$86,000,000
Less: current portion	(21,000,000)	(18,000,000)
Long-term bonds payable	$53,000,000	$68,000,000

As of December 31, 2014, the terms of the domestic bonds were as follows:

Item	Unsecured Bonds No.24	Unsecured Bonds No.25	Unsecured Bonds No.26	Unsecured Bonds No.27	Unsecured Bonds No.28	Unsecured Bonds No.29	Unsecured Bonds No.30	Unsecured Bonds No.31		Unsecured Bonds No.32		Unsecured Bonds No.33		Unsecured Bonds No.34		Unsecured Bonds No.35		
Issue date	99.4.27	99.5.25	99.7.15	99.10.14	100.4.20	100.5.25	100.7.28	101.6.20	101.6.20	101.7.27	101.7.27	102.3.12	102.3.12	102.06.26	102.06.26	103.9.12	103.9.12	103.9.12
Principal amount	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	5,500,000	2,000,000	6,000,000	4,500,000	8,000,000	2,000,000	5,600,000	4,400,000	2,400,000	2,200,000	1,400,000
Ending balance	3,000,000	3,000,000	3,000,000	3,000,000	6,000,000	6,000,000	6,000,000	5,500,000	2,000,000	6,000,000	4,500,000	8,000,000	2,000,000	5,600,000	4,400,000	2,400,000	2,200,000	1,400,000
Face value	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Issue price	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value	Par value
Maturity	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	7 years	5 years	7 years	5 years	7 years	5 years	7 years	5 years	10 years	12 years
Coupon rate	Fixed rate of 1.55%	Fixed rate of 1.54%	Fixed rate of 1.54%	Fixed rate of 1.33%	Fixed rate of 1.40%	Fixed rate of 1.42%	Fixed rate of 1.49%	Fixed rate of 1.30%	Fixed rate of 1.44%	Fixed rate of 1.35%	Fixed rate of 1.44%	Fixed rate of 1.25%	Fixed rate of 1.37%	Fixed rate of 1.28%	Fixed rate of 1.41%	Fixed rate of 1.43%	Fixed rate of 1.90%	Fixed rate of 1.99%
Interest payment	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually
Repayment	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 6th and 7th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 6th and 7th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 6th and 7th year	Repay 50% of the principal at the end of the 4th and 5th year	Repay 50% of the principal at the end of the 9th and 10th year	Repay 50% of the principal at the end of the 11th and 12th year
Conversion exchange or stock warrants	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

(15) Long-term loans

A. Long-term loans.

Banks	Repayment Method	Types	As of December 31, 2014 NTD	December 31, 2014 Interest Rate	December 31, 2013 NTD	December 31, 2013 Interest Rate
Mega International Commercial Bank and the other 25 banks	The period of the loan is from August 28, 2006 to July 16, 2017.Interest is payable monthly. The principal will be repaid semi-annually in 15 installments, each in equal amount.	Expansion syndicated loan(Note1)	$10,155,994	1.535% ~ 1.561%	$14,781,324	1.569% ~ 1.578%
Citibank and the other 14 banks	The period of the loan is from August 29, 2011 to August 29, 2014.Interest is payable every 3 months expected maturity extension.	Syndicated loan(Note 2)	-	-	26,955,000	0.877% ~ 0.947%
Bank of Taiwan and the other 19 banks	The period of the loan is from Dec 31, 2013 to Dec 31, 2020. Interest is payable monthly. After receive the loan three years later, the principal should be repaid semi-annually.	Land mortgage loan	54,600,000	1.589% ~ 1.650%	3,000,000	1.589%
Bank of Taiwan	The period of the loan is from July 28, 2011 to April 2, 2017.Interest is payable monthly. The loan was reborrowed after repaid in April, 2014.	Medium-term mortgage loan	4,000,000	1.380%	9,000,000	1.380%
Taiwan Corporative Bank	The period of the loan is from August 1, 2011 to August 1, 2014. The total credit limit is $4,800 million NT dollars. The principle will be repaid in one year after the drawing date of the loan in $1,200 million NT dollars, in two years after the drawing date of the loan in $1,200 million NT dollars. The outstanding balance was fully repaid in March, 2014.	Medium-term mortgage loan	-	-	2,400,000	1.441% ~ 1.446%
Land Bank of Taiwan	The period of the loan is from March 9, 2012 to March 9, 2015.Interest is payable monthly. The principal will be repaid semi-annually in 6 installments.	Medium-term mortgage loan	500,000	1.540% ~ 1.576%	1,500,000	1.567% ~ 1.575%
Taipei Fubon Bank	The period of the loan is from July 28, 2011 to July 21, 2014.The total credit limit is $3,500 million NT dollars. The credit limit is reusable during the period of the loan. Interest is payable monthly. The outstanding balance was fully repaid in March, 2014.	Medium-term credit loan	-	-	1,900,000	1.450% ~ 1.523%
Bank of Tokyo-Mitsubishi UFJ	The period of the loan is from September 30, 2010 to September 30, 2013.Interest is payable monthly. The repayment of principal will be due in a lump-sum payment on the expiration of the term. The outstanding balance was fully repaid in March, 2014.	Medium-term credit loan	2,000,000	1.141% ~ 1.186%	2,000,000	1.065% ~ 1.170%
China Development Industrial Bank	The period of the loan is from July 29, 2010 to August 4, 2014.Interest is payable monthly. The principal could be repaid anytime during the period of the loan. The outstanding balance was fully repaid in March, 2014.	Medium-term credit loan	-	-	5,000,000	1.338% ~ 1.448%
Taishin Bank	The period of the loan is from December 20, 2011 to December 2, 2015. Interest is payable monthly. The loan was early repaid and renewed according to agreement. The outstanding balance was fully repaid in April, 2014.	Medium-term credit loan	-	-	1,000,000	1.450% ~ 1.560%

Banks	Repayment Method	Types	As of December 31, 2014 NTD	December 31, 2014 Interest Rate	As of December 31, 2013 NTD	December 31, 2013 Interest Rate
Industrial Bank of Taiwan	The period of the loan is from July 29, 2010 to November 23, 2013.The period is extended to July 11, 2016.Interest is payable monthly. The repayment of principal will be due in a lump-sum payment on the expiration of the term. The outstanding balance was fully repaid in March, 2014.	Medium-term credit loan	-	-	1,000,000	1.473% ~ 1.589%
Mega International Commercial Bank	The period of the loan is from August 29, 2011 to July 23, 2014. Interest is payable monthly. The outstanding balance was fully repaid in March, 2014.	Medium-term credit loan	-	-	1,500,000	1.350% ~ 1.380%
Bank SinoPac	The period of the loan is from August 4, 2011 to July 23, 2014.Interest is payable monthly. The loan was early repaid and renewed according to agreement.	Medium-term credit loan	700,000	1.460%	1,500,000	1.440% ~ 1.441%
Shanghai Commercial & Savings Bank, Ltd.	The period of the loan is from August 29, 2011 to August 29, 2014.Interest is payable monthly. The outstanding balance was fully repaid in March 2014.	Medium-term credit loan	-	-	350,000	1.513% ~ 1.522%
Taiwan Business Bank	The period of the loan is from August 4, 2011 to August 4, 2014.Interest is payable monthly. The outstanding balance was fully repaid in March 2014.	Medium-term credit loan	-	-	1,500,000	1.433% ~ 1.441%
Jihsun Bank	The period of the loan is from July 28, 2011 to July 4, 2015.Interest is payable monthly. The loan was early repaid at March 2014 and reborrowed at December 2015. The loan is due on October 30, 2016.	Medium-term credit loan	100,000	1.354%	650,000	1.254% ~ 1.355%
Far Eastern International Bank	The period of the loan is from July 28, 2011 to August 31, 2015.Interest is payable monthly. The loan was early repaid and reborrowed in December 2013. The loan is due on July 21,2017.	Medium-term credit loan	700,000	1.330%	-	-
Shin Kong Bank	The period of the loan is from August 29, 2011 to July 6, 2014.Interest is payable monthly. The outstanding balance was fully repaid in May 2014.	Medium-term credit loan	-	-	500,000	1.270%
Australia and New Zealand Bank	The period of the loan is from June 22, 2002 to November 28, 2014.Interest is payable monthly.	Medium-term credit loan	-	-	5,912,500	1.220% ~ 1.305%
Union Bank	The period of the loan is from November 7, 2012 to November 7, 2014.Interest is payable monthly. The repayment of principal will be due in a lump-sum payment on the expiration of the term. The loan was reborrowed after repaid on September 10, 2017.	Medium-term credit loan	1,000,000	1.277%	500,000	1.491% ~ 1.496%
Yuanta Commercial Bank	The period of the loan is from March 29, 2013 to December 1, 2015.Interest is payable monthly.	Medium-term credit loan	1,100,000	1.250% ~ 1.300%	300,000	1.250%
China Bills Corporation and the other 3 corporations	(Note 3)	Long-term commercial paper payables	4,497,097	-	5,994,420	-
Bank SinoPac	The period of the loan is from October 21, 2009 to October 22, 2014. Interest is payable every 3 months. The principal was repaid quarterly in 12 installments.	Medium-term credit loan	-	-	132,379	1.026%
			79,353,091		87,375,623	
Less: Current portion reclassified to current liability			(10,722,427)		(37,708,298)	
Long-term loans - due after one year			$68,630,664		$49,667,325	

(Note1) The syndicated loan agreement includes the terms requiring the Group to maintain a debt ratio (total liabilities/net assets) under 195% and a current ratio (current assets/ current liabilities) above 100% at each year-end for the duration of the loan. As of December 31, 2014, the Company was in compliance with the covenants.

(Note2) The syndicated loan agreement includes the terms requiring the Group to maintain a debt ratio (total liabilities/net assets) under 200% and a current ratio (current assets/ current liabilities) above 100% at each year-end for the duration of the loan. As of December 31, 2014, the Company was in compliance with the covenants.

(Note3) The Group issued financing commercial papers by signing a non-guaranteed commercial paper revolving issuance agreement and commercial paper underwriting agreement with China Bills Finance Corporation and other securities firms. The obligations is payable in 12 months with a floating rate between 1.258%~1.295%. In accordance with the agreements, the Group must maintain a twA-1 credit rating from Taiwan Ratings Corporation, or equivalent ratings from other accredited rating agencies. As of December 31, 2014, the Group met the aforementioned standard, detail are as follows:

December 31, 2014	Maturity date of bill	Expiration date of contracts	Rate (%)	Amount NTD
Issuers				
China Bills Finance Corp.	2015.03.09	2015.03.25(Note)	1.29	$1,000,000
International Bills Finance Corp.	2015.02.02	2015.03.26(Note)	1.30	1,000,000
Grand Bills Finance Corp.	2015.01.06	2015.04.01(Note)	1.26	1,000,000
Grand Bills Finance Corp.	2015.01.09	2015.04.01(Note)	1.26	500,000
Mega Bills Finance Corp.	2015.01.07	2015.04.26(Note)	1.30	1,000,000
Subtotal				4,500,000
Less : unamortized discount				2,903
Total				$4,497,097

December 31, 2013	Maturity date of bill	Expiration date of contracts	Rate (%)	Amount NTD
Issuers				
China Bills Finance Corp.	2014.03.14	2015.03.25	1.29	$1,000,000
China Bills Finance Corp.	2014.03.14	2014.03.25(Note)	1.20	500,000
International Bills Finance Corp.	2014.03.11	2015.03.26	1.30	1,000,000
Mega Bills Finance Corp.	2014.01.15	2014.04.26(Note)	1.22	1,000,000
Mega Bills Finance Corp.	2014.01.15	2015.04.26	1.30	1,000,000
Grand Bills Finance Corp.	2014.01.13	2015.04.01	1.26	1,000,000
Grand Bills Finance Corp.	2014.01.16	2015.04.01	1.26	500,000
Subtotal				6,000,000
Less : unamortized discount				5,580
Total				$5,994,420

(Note) Reclassified to current liabilities at end of the period.

B. The details of long-term loans (including long-term commercial paper payables) as of December 31, 2014 were as follows:

Period	NTD
2015.01.01~2015.12.31	$10,722,427
2016.01.01~2016.12.31	10,691,996
2017.01.01~2017.12.31	15,838,666
2018.01.01~2018.12.31	17,833,332
2019.01.01 after	24,266,670
	$79,353,091

C. Refer to Note 8 for collateral for long-term loans. .

(16) Post-employment benefits

A. Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2014 and 2013 are NT$224,932 thousand and NT$221,469 thousand, respectively.

B. Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

Pension costs recognized in profit or loss for the years ended December 31, 2014 and 2013:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Current period service costs	$47,785	$53,354
Interest cost	71,689	62,412
Actual return on plan assets	(15,205)	(7,961)
(Gain)loss on plan assets	3,918	(2,593)
Amortization of actuarial gains and losses	(52)	-
Subtotal	$108,135	$105,212

The benefit expense under the defined benefits plan recognized in the statement of comprehensive income:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Operating costs	$73,396	$70,369
Selling expenses	5,026	4,714
Administrative expenses	29,713	30,129
Total	$108,135	$105,212

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

	As of	
	December 31, 2014	December 31, 2013
Defined benefits obligation	$3,774,518	$3,773,071
Plan assets fair value	685,868	645,365
Funded status	3,088,650	3,127,706
Unrecognized actuarial (gain) and loss	(151,129)	(55,526)
Accrued pension liabilities recognized on the consolidated balance sheets	$3,239,779	$3,183,232

Changes in present value of the defined benefit obligation are as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2014
Defined benefit obligation at 1 January	$3,773,071	$3,801,858
Current service costs	47,785	53,354
Interest cost	71,689	62,412
Net liability or asset transfer from employees of the associate	63,653	28,696
Benefits paid	(89,933)	(63,164)
Actuarial losses (gains)	(91,747)	(110,085)
Defined benefit obligation at 31 December	$3,774,518	$3,773,071

Changes in fair value of plan assets are as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Plan assets, at fair value at 1 January	$645,365	$622,964
Expected return on plan assets	11,287	10,554
Contributions by employer	113,052	77,426
Benefits paid	(87,754)	(62,986)
Actuarial gains (losses)	3,918	(2,593)
Plan assets, at fair value at 31 December	$685,868	$645,365

The Group expects to contribute NT$105,438 thousand to its defined benefit plan during the 12 months beginning after December 31, 2014.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as of	
	December 31, 2014	December 31, 2013
Cash	21.00	25.20
Equity instruments	11.00	15.62
Debt instruments	12.00	13.58
Others	56.00	45.60

The actual return from plan assets for the years ended December 31, 2014 and 2013 were NT$15,205 thousand and NT$7,961 thousand, respectively.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

The principal assumptions used in determining the Group's defined benefit plan are shown below:

	As of	
	December 31, 2014	December 31, 2013
Discount rate	1.90%	1.65%
Expected rate of return on plan assets	1.65%	1.65%
Expected rate of salary increases	2.50%	2.50%

The percentage point change in discount rate on defined benefit obligation:

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	Discount rate increase by 0.25%	Discount rate decrease by 0.25%	Discount rate increase by 1%	Discount rate decrease by 1%
Effect on the defined benefit obligation	-4.15	5.34	-4.39	5.55

Other information on the defined benefit plan is as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012
Defined benefit obligation at present value	$3,774,518	$3,773,071	$3,801,858
Plan assets at fair value	685,868	645,365	622,964
Surplus (deficit) in plan	$3,088,650	$3,127,706	$3,178,894
Experience adjustments on plan liabilities	$(18,684)	$84,296	$47,582
Changes in actuarial assumptions	$(73,063)	$(194,381)	$-
Experience adjustments on plan assets	$(3,918)	$2,593	$4,384

(17) Equities

A. Common stock

The Company's authorized and issued capital both amounted to NT$95,259,597 thousand and consisted of 9,525,960 thousand shares at $10 par value each as of December 31, 2014 and December 31, 2013, respectively. Each share has one vote and the right to receive dividends.

B. Capital surplus

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

	As of	
	December 31, 2014	December31, 2013
	NTD	NTD
Additional paid-in capital-premium in excess of the par value of shares issured	$24,864,000	$24,864,000
Additional paid-in capital-bond conversion	6,379,284	6,379,284
Joint venture and associates change in equity under equity method	92,938	84,094
Total	$31,336,222	$31,327,378

C. Retained earnings and dividend policies

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

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

The above special reserve includes:

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

The Company shall set aside 0.1%~0.5% of the appropriable after-dividend earnings as employees' bonuses, which is recognized as expense.

The Company's business is in its maturity stage. The dividend policy as set forth in the Articles of Incorporation provides that the Company may distribute earnings in the form of cash dividends, stock dividends or a combination of both. After making provisions for the legal reserve and special reserve, the earnings shall be first used to distribute cash dividends.

The annual total amount of earnings distributed should be at least 50% of the earnings available for distribution, provided that the total amount of earnings and capital surplus capitalized do not exceed 50% of the total dividends distributed in the current year.

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

When distributing distributable earnings for the years ended 2013 and 2012, the Company has set aside special reserve after shareholders' meeting, for other net deductions from shareholders' equity of the period.

For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

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

For the years ended December 31, 2014 and 2013, the estimations of employees' bonuses were NT$1,295 thousand and NT$5,000 thousand respectively, recognized as the Company's operating expenses. As provided by the Company's Articles of Incorporation, it shall set aside 0.1% of the period's appropriable after dividend earnings. . If there is a difference between the estimate and the actual paid amount, it will be ecorded in profit or loss of the next year.

For the years ended 2014 and 2013, the details of earnings distribution and dividends per share as proposed by the Company's board of directors' meeting on March 19, 2015 and resolved by the shareholder's meeting on June 10, 2014, respectively, were as follows:

	Appropriation of earnings		Dividend per share	
	2014	2013	2014	2013
Legal reserve	$906,557	$2,685,826		
Common stock -cash dividend	8,097,066	23,814,899	$0.85	$2.50
Total	$9,003,623	$26,500,725		

As of December 31, 2013, the estimated employees' bonus was NT$5,000 thousand and the board proposed distribution of the amount of NT$5,042 thousand, pending shareholders' meeting with an additional NT$42 thousand, which was recorded in profit or loss.

Information about earnings appropriation and the bonus to employees is available on the Market Observation Post System website of the Taiwan Stock Exchange.

D. Non-controlling interests

	For the years ended December 31, 2014	For the years ended December 31, 2013
	NTD	NTD
Beginning balance	$30,586	$31,462
Cash dividend declared by subsidiaries	(794)	(1,956)
Net Income	4,001	1,038
Other comprehensive income attributed to the non-controlling interest	36	42
Ending balance	$33,829	$30,586

(18) Operating revenues

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Net sales		
Gasoline	$128,979,175	$131,871,210
Petrochemical products (ethylene and propylene, etc.)	260,529,527	252,388,277
Diesel oil	244,935,351	245,562,494
Jet fuel	56,729,104	60,195,507
Others	179,371,460	196,248,308
Subtotal	870,544,617	886,265,796
Service revenues	1,376,323	1,305,435
Other operating revenues, net		
Electricity	28,169,921	27,883,812
Steam	11,386,748	14,228,487
Others	1,607,668	1,650,360
Subtotal	41,164,337	43,762,659
Total	$913,085,277	$931,333,890

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

Function / Description	For the year ended December 31, 2014			For the year ended December 31, 2013		
	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)	Operating Cost (NTD)	Operating Expense (NTD)	Total (NTD)
Employee benefits expense	4,336,653	2,791,923	7,128,576	4,307,590	2,827,534	7,135,124
Salaries and wages	3,731,694	2,429,165	6,160,859	3,717,708	2,479,917	6,197,625
Labor and health insurance	286,052	181,150	467,202	276,786	177,417	454,203
Pension	212,569	120,498	333,067	207,454	119,227	326,681
Other employee benefits Expense	106,338	61,110	167,448	105,642	50,973	156,615
Depreciation and depletion	20,544,786	1,283,689	21,828,475	20,831,156	1,263,997	22,095,153
Amortization	3,054,643	125,644	3,180,287	3,154,288	125,644	3,279,932

(20) Non-operating income and expenses

A. Other income

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Rental income	$1,387,170	$1,365,824
Interest income	571,011	467,236
Gains on bad debt recoveries	392,494	-
Others	986,404	1,779,182
Dividend Income	758,587	288,415
Total	$4,095,666	$3,900,657

B. Other gains and losses

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Gains (losses) on disposal of property, plant and equipment	$(50,313)	$(43,634)
Foreign exchange losses (gains),net	6,140,049	4,136,118
Impairment losses		
Investment property	(3,039)	(1,339)
Exploration and evaluation assets (Natural resource)	(49,735)	(16,909)
Financial assets-other	-	(21,637)
Gains (losses) on financial assets at fair value through profit or loss	599,206	1,303,812
Other gains and losses- Others	(306,254)	(504,515)
Total	$6,329,914	$4,851,896

C. Finance costs

	For the year ended December 31, 2014	For the year ended December 31,2013
	NTD	NTD
Interest on borrowings from bank	$1,531,609	$1,534,643
Interest on bonds payable	1,096,561	1,348,230
Interbank loans with interest	107,689	25,470
Interest for lease	57,399	262,539
Other interest expenses	129,426	153,789
Total finance costs	$2,922,684	$3,324,671

(21) Components of other comprehensive income

For the year ended December 31, 2014

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$21,602	$-	$21,602	$-	$21,602
Unrealized gains (losses) from available-for-sale financial assets	12,755,367	(211,167)	12,544,200	-	12,544,200
Cash flow hedge	(21,627)	-	(21,627)	3,677	(17,950)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,373,611	-	1,373,611	-	1,373,611
Total of other comprehensive income	$14,128,953	$(211,167)	$13,917,786	$3,677	$13,921,463

For the year ended December 31, 2013

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$16,191	$-	$16,191	$-	$16,191
Unrealized gains (losses) from available-for-sale financial assets	9,193,855	-	9,193,855	-	9,193,855
Cash flow hedge	99,925	(29,365)	70,560	(11,995)	58,565
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	348,739	-	348,739	-	348,739
Total of other comprehensive income	$9,658,710	$(29,365)	$9,629,345	$(11,995)	$9,617,350

(22) Income taxes

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

Income tax expense (income) recognized in profit or loss

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Current income tax expense (income):		
Current income tax charge	$40,161	$2,971,452
Adjustments in respect of current income tax of prior periods	(1,618)	24,683
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(447,595)	671,881
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	439,014	553,766
Tax expense(income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	-	(65,209)
Total income tax expense (income)	$29,962	$4,156,573

Income tax relating to components of other comprehensive income

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Deferred tax expense (income):		
Cash flow hedge	$(3,677)	$11,995

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

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Accounting profit (loss) before tax from continuing operations	$9,099,539	$31,015,874
The parent company statutory income tax rate of 17% per	1,524,457	5,267,748
Tax effect of revenues exempt from taxation	(776,198)	(813,640)
Tax effect of expenses not deductible for tax purposes	342,770	283,304
Tax effect of deferred tax assets/liabilities	635,931	(614,919)
Realized investment loss	(1,738,105)	-
10% surtax on undistributed retained earnings	35,754	-
Operations in other tax jurisdictions individual effects of different tax rates applicable	6,971	9,397
Adjustments in respect of current income tax of prior periods	(1,618)	24,683
Total income tax expense (income) recognized in profit or loss	$29,962	$4,156,573

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2014

	Beginning balance as of January 1, 2014	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2014
Temporary differences				
Depreciation difference for tax purpose	$4,597,309	$(476,806)	$-	$4,120,503
Revaluations of financial assets at fair value through profit or loss	(150,045)	150,045	-	-
Foreign currency assets / liabilities losses (gains)	(192,039)	16,302	-	(175,737)
Accrued pension liabilities	506,537	(145)	-	506,392
Inventory evaluation	38,655	769,263	-	807,918
Hedging derivative financial instruments sharing the same period	(1,475)	-	3,677	2,202
Others	65,469	(11,064)	-	54,405
Unused tax losses	10,740	8,407	-	19,147
Unused tax credits	914,243	(447,421)	-	466,822
Deferred tax income (expense)		$8,581	$3,677	
Net deferred tax assets (liabilities)	$5,789,394			$5,801,652
Reflected in balance sheet as follows:				
Deferred tax assets	$6,159,562			$6,002,982
Deferred tax liabilities	$(370,168)			$(201,330)

For the year ended December 31, 2013

	Beginning balance as of January 1, 2013	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2013
Temporary differences				
Depreciation difference for tax purpose	$4,991,375	$(394,066)	$-	$4,597,309
Revaluations of financial assets at fair value through profit or loss	107,179	(257,224)	-	(150,045)
Foreign currency assets / liabilities losses (gains)	(211,661)	19,622	-	(192,039)
Accrued pension liabilities	500,776	5,761	-	506,537
Inventory evaluation	94,416	(55,761)	-	38,655
Hedging derivative financial instruments sharing the same period	10,520	-	(11,995)	(1,475)
Reserve for loss in outward investment	(4,052)	4,052	-	-
Others	(5,475)	70,944	-	65,469
Unused tax losses	78,390	(67,650)	-	10,740
Unused tax credits	1,400,359	(486,116)	-	914,243
Deferred tax income (expense)		$(1,160,438)	$(11,995)	
Net deferred tax assets (liabilities)	$6,961,827			$5,789,394
Reflected in balance sheet as follows:				
Deferred tax assets	$7,269,987			$6,159,562
Deferred tax liabilities	$(308,160)			$(370,168)

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

		Unused tax losses as of		
		December 31, 2014	December 31, 2013	
Year	Tax losses for the period	NTD	NTD	Expiration year
Formosa Oil (Asia Pacific) Corporation				
2009	169,633	$63,573	$63,179	2018
2014	49,054	49,054	-	2019
FPCC USA, INC.				
2007	9,049	8,575	8,575	2027
2008	63,856	63,856	63,856	2028
2009	208,119	208,119	208,119	2029
2010	30,555	30,555	30,555	2030
2011	173,372	173,372	173,372	2031
2013	62,368	62,368	62,368	2033
2014	164,829	164,829	-	2034
		$824,301	$610,024	

Details of the Group's unused tax credit are as follows:

		Unused tax credits as of		
		December 31, 2014	December 31, 2013	Expiration
Laws and regulations	Items	NTD	NTD	year
The statute for upgrading industries article 6	Investment tax credit relates to machinery and equipments	$-	$273	2014
The statute for upgrading industries article 7	Investment in specific regions	29,658	31,580	2015
The statute for upgrading industries article 7	Investment in specific regions	538,832	271,189	2016
The statute for upgrading industries article 7	Investment in specific regions	14,494	14,494	2017
The statute for upgrading industries article 8	Investment tax credit relates to important investment undertaking shareholder	279,083	532,871	2016
The statute for upgrading industries article 8	Investment tax credit relates to important investment undertaking shareholder	89,373	89,373	2017
		$951,440	$939,780	

According to Article 9-2 of the Statute for Upgrading Industries, the Company's award categories and standards meet the tax exemption requirement under the Statute. The Company was exempt from profit-seeking enterprise income tax for five years. The Industrial Development Bureau, Ministry of Economic Affairs approved the exemption of five years by Order Gong-Zhong-Zi. No. 10205101270 (from January 1, 2013 to December 31, 2017).

The Group's unused credits of investment in specific regions and investment tax credit relating to important investment undertaken by shareholder were different from those recorded between December 31, 2014 and December 31, 2013. The reason is because the credits were deducted at different times when the Group filed for 2014 profit-seeking enterprise income tax in May 2015.

Unrecognized deferred tax assets

As of December 31, 2014 and December 31, 2013 deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to NT$605,603 thousand and NT$25,537 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2014 and December 31, 2013, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liability has not been recognized, aggregated to NT$0 thousand.

Imputation credit information

	December 31, 2014	December 31, 2013
	NTD	NTD
Balances of imputation credit amounts	$3,375,737	$3,180,005

The expected creditable ratio for 2014 and the actual creditable ratio for 2013 were 9.80% and 12.19%, respectively.

The Company's retained earnings prior to 1997 are NT$70,699 thousand.

The assessment of income tax returns

As of December 31, 2014, the assessment of the income tax returns of the Company and its subsidiaries was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2011
Subsidiary- Formosa Oil (Asia Pacific) Corporation	Assessed and approved up to 2012
Subsidiary- Formosa Petrochemical Transportation Corporation	Assessed and approved up to 2012

(23) Earnings per share

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

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands)	$9,065,576	$26,858,263
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	9,525,960	9,525,960
Basic earnings per share	$0.95	$2.82

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

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions with related parties

A. Sales

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Entity with joint control or significant influence over the Company	$341,790,632	$366,277,481
Associate	6,879,700	7,070,702
Joint venture	10,146,562	7,925,070
Others	52,640,612	56,822,875
Total	$411,457,506	$438,096,128

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

B. Purchase

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Entity with joint control or significant influence over the Company	$47,240,150	$53,974,786
Joint venture	2,240	-
Others	1,023,662	1,161,034
Total	$48,266,052	$55,135,820

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

C. Accounts Receivables – related parties

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Entity with joint control or significant influence over the Company	$21,312,828	$37,867,694
Associate	386,823	650,691
Joint venture	743,988	680,748
Others	3,567,381	4,977,584
Total	26,011,020	44,176,717
Less: allowance for doubtful debts	-	-
Net	$26,011,020	$44,176,717

D. Accounts Payables – related parties

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Entity with joint control or significant influence over the Company	$2,456,242	$5,735,109
Joint venture	14,485	5,310
Associate	31,703	53,289
Others	54,531	124,788
Total	$2,556,961	$5,918,496

E. Transaction of property, plant and equipment

(a) Commissioned construction

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

	Items	For the year ended December 31, 2014 NTD	For the year ended December 31, 2013 NTD
Entity with joint control or significant influence over the Company	Maintenance	$40,602	$18,961
Entity with joint control or significant influence over the Company	Expansion of facilities	26,880	187,778
Others	Maintenance	220,585	196,961
Others	Expansion of facilities	154,489	609,015
Total		$442,556	$1,012,715

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

F. Financing

(a) Other receivables - due from affiliates

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Associate	$60,000	$140,000
Subsidiary	-	100
Others	290,000	3,100,000
Total	$350,000	$3,240,100

The lending terms to the associates were in accordance with the contract schedule after the loan is extended. For the years ended December 31, 2014 and 2013, interest receivables from related parties were NT$14,744 thousand and NT$36,250 thousand, respectively, at interest rates of 1.607%~1.642% and 1.613%~1.648%, respectively.

(b) Other payables-due to affiliates

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Entity with significant influence over the Company	$6,500,000	$-
Others	1,000,000	-
Total	$7,500,000	$-

The lending terms to the related parties were in accordance with the contract schedule after the loan is extended. For the years ended December 31, 2014 and 2013, interest payables from related parties were NT$105,805 thousand and NT$24,887 thousand, respectively, at interest rates of 1.607%~1.642% and 1.613%~1.648%, respectively.

G. Other receivables, other payables

Receivables from payables to related parties bear no interest.

(a) Other receivables - sale of raw materials, etc.

	As of			
	December 31, 2014		December 31, 2013	
	Amount NTD	%	Amount NTD	%
Entity with joint control or significant influence over the Company	$10,633	0.07	$39,742	0.20
Associate	89,483	0.57	71,939	0.36
Joint venture	3,861	0.02	181	-
Others	666,504	4.23	4,280	-
Total	$770,481	4.89	$116,142	0.56

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

(b) Other payables

	As of			
	December 31, 2014		December 31, 2013	
	Amount NTD	%	Amount NTD	%
Associate	$31,197	0.17	$30,608	0.30
Others	131,794	0.73	197,129	1.94
Total	$162,991	0.90	$227,737	2.24

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

H. Property Transactions

The Group acquired the shares of Formosa Ha Tinh (Cayman) Limited with the investee-Formosa Ha tinh Steel Corporation`s shares as consideration at it's book value. Refer to Note 6(10) for related details.

I. Other related party transactions

(a) Use of labor

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

	Items	For the year ended December 31, 2014 NTD	For the year ended December 31, 2013 NTD
Associates	Harbor Labor force	$1,647,271	$1,611,467
Joint venture	Refuel and labor	168,804	56,625
Others	Labor force	2,058	2,008
	Total	$1,818,133	$1,670,100

The payments include harbor usage, towage, and fuel delivery. The payment is mutually agreed to be made in the following month by the monthly total.

(b) Rental expenses

Details of the office premises leased from related parties are as follows:

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	Amount NTD	%	Amount NTD	%
Entity with significant influence over the Company	$52,708	4.43	$52,708	4.88

Rents of the office premises leased from related parties are based on the local standard, and are payable semi-annually.

(c) Capital lease

Simosa Shipping Co. Ltd. leased vessel and equipment to the Company.
The lease term is from Jan. 2012 to Dec. 2026 at USD33,500 per month. When the lease expires, the ownership of the shipping equipment will transfer to the Company. As the contract was amended in January 2014, the Group recalculates the present value of the minimum lease payment. The detail of reconciliations of lease obligation is as follows:

	As of			
	December 31, 2014		December 31, 2013	
	Minimum payment	Present value of payment	Minimum payment	Present value of payment
Not later than one year	$254,696	$198,980	$366,214	$112,198
Later than one year and not later than five years	1,019,480	840,593	1,465,858	572,786
Later than five years	1,784,264	1,655,715	2,920,679	2,043,981
Total minimum lease payments	3,058,440	2,695,288	4,752,751	2,728,965
Less: finance charges on finance lease	(363,152)	-	(2,023,786)	-
Present value of minimum lease payments(note)	$2,695,288	$2,695,288	$2,728,965	$2,728,965

Note: Listed under other current liability and lease payment- noncurrent, separately.

(d) Notes endorsements and guarantees

	As of	
	December 31, 2014	December 31, 2013
	NTD	NTD
Associates	$13,301,618	$99,000
Joint venture	2,750,000	-
Subsidiary	90,000	40,000
Total	$16,141,618	$139,000

(e) Rental income

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

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	Amount NTD	%	Amount NTD	%
Entity with significant influence over the Company	$118,871	8.57	$103,265	7.56
Associates	15,202	1.10	13,288	0.97
Joint venture	11,773	0.85	4,906	0.36
Total	$145,846	10.52	$121,459	8.89

J. Key management personnel compensation

	For the year ended December 31, 2014	For the year ended December 31, 2013
	NTD	NTD
Short-term employee benefits	$88,813	$88,436

8. PLEDGED ASSETS

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

		As of	
		December 31, 2014	December 31, 2013
Pledged Assets	Contents	NTD	NTD
Inventories	Crude oil and petroleum Products	$-	$47,788,357
Available-for-sale financial assets/ Other financial assets – current	Stock of Nan Ya Plastics Corporation	$5,207,250	$5,477,550
Other financial assets – current	Certificates of time deposit	2,000	2,150
	Total	$5,209,250	$5,479,700
Available-for-sale financial assets/ Other financial assets-non-current	Stock of Nan Ya Plastics Corporation	$147,768	$155,438
Available-for-sale financial assets/ Other financial assets-non-current	Stock of Formosa Chemicals & Fiber Corporation-	2,408	3,024
	Total	$150,176	$158,462
Property, plant and equipment	Land	$19,118,886	$19,118,886
	Plant	12,463,055	13,507,271
	Machinery and equipment	40,443,820	81,910,109
	Transportation equipment	382,605	397,423
	Other equipment	241,734	330,376
	Total	$72,650,100	$115,264,065

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2014, the Company and subsidiaries' commitments and contingent liabilities were as follows:

(1) Finance lease commitments: Please refer to related Note 7 (I) (c).

(2) Guarantee notes received from counterparties as collateral for payment, construction completion commitment and others for operational needs were NT$1,027,465 thousand.

(3) Guarantee notes issued for borrowings (financing) were NT$272,689,569 thousand.

(4) The unutilized portion of letters of credit issued by banks for importing raw materials was NT$4,802,340 thousand.

(5) Formosa Plastics Synthetic Rubber (Ningbo), one of the Company's investee under the equity method, requested a US$130 million and a RMB$300 million credit loan from the Taiwan Cooperative Bank to meet its operational needs. As requested by the bank, the Formosa Group shall furnish an undertaking based on ownership ratio and commit to assisting the borrower in fulfilling its debt obligations when necessary.

(6) Formosa Resource Corporation, one of the Company's investee under the equity method, redirected investments into Formosa Resource Australia PTY LTD and filed a 700 million USD loan from ANZ Bank to fund its mineral investments. Requested by the bank, the Company shall furnish an undertaking based on the ownership ratio and commit to assisting the borrower in fulfilling it's debt obligations when necessary.

10. SIGNIFICANT DISASTER LOSSES

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

(1) Investee of the Group borrow loans

To meet Formosa Ha Tinh Steel Corporation's funding demand, Formosa Group (Cayman) Limited, an investee of the Group, plans to borrow loans from 6 banks. The total amount are USD$1.15 billion. Formosa Petrochemical Corporation, Formosa Plastics Corporation, Nan Ya Plastics Corporation and Formosa Chemicals & Fiber Corporation will provide guarantees of the loans according to the ownership percentage of the issuer, at 25%.

(2) Investee of the Group issue corporate bonds

To meet Formosa Ha Tinh Steel Corporation's funding demand, Formosa Group (Cayman) Limited, an investee of the Company, plans to issue corporate bonds. The issuance terms are as follows:

(a) Issuer: Formosa Group (Cayman) Limited
(b) Offering amount: No more than USD$1.3 billion.
(c) Issue period: 10 years
(d) Guarantees: Formosa Petrochemical Corporation, Formosa Plastics Corporation, Nan Ya Plastics Corporation and Formosa Chemicals & Fiber Corporation will provide guarantees of the bonds according to the ownership percentage of the issuer, at 25% each.

(3) Corporate bond issuance

On March 19, 2015, the Company received approval from the board of directors for the issuance of the unsecured ordinary corporate bonds to raise long-term funds, repay the loan and to replenish working capital. The company is expected to issue NT$5 billion at par and the issuance terms are as follows:

(a) Offering amount: No more than NT$5 billion at par and each par value of NT$1 million.
(b) Duration: Bonds may be issued at several batches with different maturities depending on market condition.
(c) Coupon rate: Adopt a fixed rate or a floating rate.
(d) Repayment: Repayment at several batches or a single repayment of principal on the maturity date.

12. OTHERS

(1) Categories of financial instruments

	As of	
Financial Assets	December 31, 2014	December 31, 2013
	NTD	NTD
Financial assets at fair value through profit or loss	$-	$882,620
Held for trading (including financial assets measured at cost)	56,495,028	38,345,670
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	40,584,729	16,585,233
Notes and accounts receivable, net	45,872,817	84,953,379
Subtotal	86,457,546	101,538,612
Derivative financial assets for hedging	7,049	8,671
Subtotal	7,049	8,671
Total	$142,959,623	$140,775,573
Financial Liabilities		
Financial liabilities at amortized cost：		
Short-term borrowings	$32,457,003	$28,906,373
Short-term notes payable	3,500,000	3,300,000
Trade and other payables	15,406,244	12,806,918
Bonds payable	74,000,000	86,000,000
Long-term borrowings	79,353,091	87,375,623
Subtotal	204,716,338	218,388,914
Derivative financial liabilities for Hedging	20,006	-
Subtotal	20,006	-
Total	$204,736,344	$218,388,914

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

When NTD strengthens/weakens against US dollars by NT$1, the profit for the years ended December 31, 2014 and 2013 increased/decreased by NT$87,083 thousand and NT$946,841 thousand, respectively.

Interest rate risk

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

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 25 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2014 and 2013 to increase/decrease by NT$306,830 thousand and NT$239,440 thousand, respectively.

Equity price risk

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

The Group did not hold for trading any listed and OTC equity securities.

When the price of the listed equity securities classified as available-for-sale decreases 1%, it could have impacts of NT$550,256 thousand and $368,999 thousand for the years ended December 31, 2014 and 2013, respectively, on the profit/loss or equity attributable to the Group. An increase of 1% in the value of the listed securities would only impact equity but would not have an effect on profit or loss.

(4) Credit risk management

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

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

As of December 31, 2014 and December 31, 2013, accounts receivables from top ten customers represented 69.10% and 66.77% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
December 31, 2014							
Borrowings	$43,656,143	$10,856,653	$16,082,581	$18,107,965	$12,320,185	$12,320,191	$113,343,718
Notes payable	3,500,000	-	-	-	-	-	3,500,000
Accounts payable	15,406,244	-	-	-	-	-	15,406,244
Bonds payable	21,296,100	14,957,975	12,726,955	11,408,625	7,757,865	6,895,880	75,043,400
Lease payable	254,696	255,393	254,696	254,696	254,696	1,784,264	3,058,441
Other payable	7,621,833	-	-	-	-	-	7,621,833
December 31, 2013							
Borrowings	$67,387,531	$35,579,383	$13,797,009	$916,741	$-	$-	$117,680,664
Notes payable	3,300,000	-	-	-	-	-	3,300,000
Accounts payable	12,806,918	-	-	-	-	-	12,806,918
Bonds payable	18,279,000	21,325,500	14,978,625	12,744,525	10,205,775	9,799,575	87,333,000
Lease payable	366,214	366,214	367,217	366,214	366,214	2,920,678	4,752,751
Other payable	-	-	-	-	-	-	-

Derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2014					
Inflows	$7,049	$-	$-	$-	$7,049
Outflows	(20,006)	-	-	-	(20,006)
Net	$(12,957)	$-	$-	$-	$(12,957)
December 31, 2013					
Inflows	$891,291	$-	$-	$-	$891,291
Outflows	-	-	-	-	-
Net	$891,291	$-	$-	$-	$891,291

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

c. Fair value of equity instruments without market quotations (including unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as recent fund raising activities, valuation of similar companies, individual company's development, market conditions and other economic indicators.

d. The fair value of long-term borrowing is determined using discounted cash flow analysis, the interest rate and discount rate are selected with reference to those of similar financial instruments. However, the long-term interest rate is a floating interest rate, then the fair value is also approximately equal to the book value.

e. The fair value of derivative financial instrument is based on market quotations.

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value:

(c) Assets measured at fair value

The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

December 31, 2014	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Stock	$44,034,343	$10,729,587	$-	$54,763,930
Funds	261,681	-	-	261,681
Derivative financial Assets for hedging				
Energy commodity swap contracts	-	7,049	-	7,049
Financial liabilities:				
Derivative financial Liabilities for hedging				
Energy commodity swap contracts	$-	$20,006	$-	$20,006

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$882,620	$-	$-	$882,620
Available-for-sale financial assets				
Stock	22,845,562	13,993,274	-	36,838,836
Funds	61,047	-	-	61,047
Derivative financial Assets for hedging				
Energy commodity swap contracts	-	8,671	-	8,671

The securities of Nan Ya Technology Corporation that the Group holds have passed lock-up period for the year ended December 31, 2014. Therefore fair value measurements were transferred between Level 1 and Level 2.

The Group has no financial assets measured by Level 3 fair value that should be adjusted.

(7) Derivatives financial instruments the Group holds for trading include interest rate swaps, futures and non-deliverable forward contracts, energy commodity contracts and forward foreign exchange contracts. Please refer to Note 6 (3) and (4) for related information.

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2014			December 31, 2013		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$735,890	31.718	$23,340,947	$1,401,075	29.95	$41,962,195
EUR	2	38.53	86	19	41.24	792
YEN	14,072	0.265	3,729	8,452	0.285	2,405
Long-term equity investments-equity method						
USD	$527,106	31.718	$16,718,733	$539,505	29.95	$16,158,175
Financial liabilities						
Monetary items:						
USD	$448,966	31.718	$13,664,729	$1,644,796	29.95	$48,768,200
EUR	2,063	38.53	79,483	1,583	41.24	65,273
YEN	131,034	0.265	34,724	183,468	0.285	52,288

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(10) Others

Part of the financial statement for the year ended December 31, 2013 had been reclassified for comparison.

13. OTHER DISCLOSURE

(1) Significant transaction information

A. Financings provided to others

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period(Approved by the Board)	Ending Balance (Approved by the Board)	Amount Actually Drawn	Interest Rate%	Nature of Financing (Note 3)	Transaction Amount		Reason for Financing	Allowance for Bad Debt	Collateral		Limit of Financing Amount for Individual Counterparty	Limit of Total Financial Amount for Financing Company
										Purchases	Sales			Item	Value		
0	The Company	Formosa Plastics Corporation	Other receivables from related parties	Yes	8,000,000	6,000,000	-	-	(2)	$10,965,213	$114,095,589	Need for operating	N/A	N/A	N/A	Financing to individual entity is limited to 10% of the Company's net asset 23,952,215 thousand; financing to related party and party with business transaction is limited to 25% of the Company's net asset 59,880,537 thousand; financing to others is limited to 20% of the Company's net asset 47,904,430 thousand.	Financing to others is limited to 50% of the Company's net asset 119,761,075 thousand; financing to nonbusiness but in need for capital is limited to 40% of the Company's net asset 95,808,860 thousand.
0	The Company	Nan Ya Plastics Corporation	Other receivables from related parties	Yes	8,000,000	6,000,000	-	-	(2)	871,972	49,861,988	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Chemicals & Fiber Corporation	Other receivables from related parties	Yes	8,000,000	6,000,000	-	-	(2)	35,402,965	177,833,055	Need for operating	N/A	N/A	N/A		
0	The Company	Nan Ya Photonics Inc.	Other receivables from related parties	Yes	300,000	290,000	290,000	1.607~ 1.642	(2)	30,762	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Marine Corporation	Other receivables from related parties	Yes	70,000	20,000	20,000	1.607~ 1.642	(2)	-	137,622	Need for operating	N/A	N/A	N/A		
0	The Company	Nan Ya Technology Corporation	Other receivables from related parties	No	9,100,000	9,100,000	8,700,000	1.607~ 1.642	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Development Corporation	Other receivables from related parties	Yes	40,000	40,000	40,000	1.607~ 1.642	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Plastic Transport Corporation	Other receivables from related parties	No	2,854,620	2,854,620	2,854,620	1.607~ 1.642	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Ocean Group Marine Investment	Other receivables from related parties	No	1,182,271	1,147,082	850,042	1.607~ 1.642	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Heavy Industries Corporation	Other receivables from related parties	Yes	8,000,000	6,000,000	-	-	(2)	-	16,105	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Ha tinh (Cayman) Limited	Other receivables from related parties	Yes	236,600	236,600	-	-	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Oil (Asia Pacific) Corporation(Note 4)	Other receivables from related parties	Yes	1,000,000	1,000,000	-	-	(2)	-	19,438,463	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Petrochemical Transportation Corporation(Note 4)	Other receivables from related parties	Yes	250,000	250,000	-	-	(2)	-	-	Need for operating	N/A	N/A	N/A		
0	The Company	Formosa Dredging Corporation(Note 4)	Other receivables from related parties	Yes	5,000,000	5,000,000	164,934	1.607~ 1.642	(2)	-	-	Need for operating	N/A	N/A	N/A		
					Total	43,938,302	12,919,596										

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note 2: Total amount of the financing is disclosed herein if the financing related to business transactions.

Note 3: Nature of financing is coded as follows:

(1) The financing occurred due to business transactions

(2) The financing occurred due to short-term financing

Note 4: All transactions listed above are eliminated in the consolidated financial statements.

B. Endorsement/guarantee provided to others

No. (Note1)	Endorser/ Guarantor	Receiving Party		Limit of the Endorsement/ Guarantee Amount for Receiving Party	Maximum Balance for the Period	Ending Balance	Actual Amount Borrowed	Amount of Collateral	Percentage (Note 3)	Limit on the Endorsement/Guarantee Amount	Parent Company Endorsed/Guaranteed for the Subsidiaries	Subsidiaries Endorsed/Guaranteed for the Parent Company	Endorsement or Guarantee for Entities in China
		Company Name	Relationship (Note2)										
0	The Company	Simosa Oil Corporation	(1)	$159,689,397	$99,000	$99,000	$99,000	N/A	0.04	The Company may provide endorsement/guarantee to others but shall not exceed 130% of its net assets 311,378,794 thousand. For endorsement/guarantee to individual entity, the amount is limited to 50% of the Company's net assets.	N	N	N
0	The Company	Formosa Oil (Asia Pacific) Corporation	(2)	$159,689,397	90,000	90,000	90,000	N/A	0.04	〃	Y	N	N
0	The Company	Formosa Kraton Chemical Co., Ltd.	(6)	$159,689,397	2,750,000	2,750,000	2,750,000	N/A	1.15	〃	N	N	N
0	The Company	Formosa Group (Cayman) Limited	(6)	$159,689,397	29,140,913	29,140,913	13,202,618	N/A	12.17	〃	N	N	N

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note 2: 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: The percentage is calculated by the amount of accumulated endorse/guarantee amount to net assets value from the latest financial statements.

C. Securities held as of 31 December 2014 (not including subsidiaries, associates and joint ventures)

Shares: In thousand

Company	Type and Name of the Securities (Note 1)	Relationship (Note 2)	Financial Statement Account	As of 31 December 2014				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value	
The Company	Stock －Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	Available-for-sale financial assets - current	131,460	9,504,584	-	72.30	
The Company	Stock －Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	Available-for-sale financial assets - current	179,214	11,738,545	-	65.50	(Note 3)
The Company	Stock －Formosa Chemicals & Fiber Corporation	Entity with joint control or significant influence over the Company	Available-for-sale financial assets - current	48,568	3,249,171	-	66.90	(Note 3)
The Company	Stock －National Petroleum Co., Ltd.	Others	Available-for-sale financial assets - current	20,000	719,000	-	35.95	
The Company	Stock －Nan Ya Technology Corporation	-	Available-for-sale financial assets - current	232,351	18,820,461	-	81.00	
The Company	Stock －Nan Ya Technology Corporation	-	Available-for-sale financial assets - noncurrent	132,464	10,729,587	-	81.00	
The Company	Stock －Nan Ya Photonics Inc.	Others	Financial assets measured at cost - noncurrent	28,600	294,583	14.30%	8.84	
The Company	Stock －Asia Pacific Investment Corporation	-	Financial assets measured at cost - noncurrent	8,950	117,500	2.11%	39.73	
The Company	Stock －Formosa Network Technology Corporation	-	Financial assets measured at cost - noncurrent	1,800	13,331	12.50%	23.76	
The Company	Stock －Formosa Heavy Industries Corporation	Others	Financial assets measured at cost - noncurrent	22,587	116,955	1.26%	13.65	
The Company	Stock －Formosa Ocean Group Marine Investment	-	Financial assets measured at cost - noncurrent	3	856,948	19.00%	US$109,680.73	
The Company	Stock －Amtrust Capital Corporation	-	Financial assets measured at cost - noncurrent	5,000	31,470	3.91%	10.12	

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: If the securities listed above are issued by related parties, the column is specified with further information.

Note 3: Stocks for collateral are as follows:

① Holding Formosa Chemicals & Fiber Corporation 48,568 thousand shares with 36 thousand shares for collateral.

② Holding Nan Ya Plastics Corporation 179,214 thousand shares with 81,756 thousand share for collateral.

D. Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 percent of the capital stock

Shares: In thousand

Purchaser / Seller	Type and Name of the Securities (Note1)	Financial Statement Account	Counterparty (Note2)	Relationship (Note2)	Beginning Balance (Note6)		Acquisition (Note5)		Disposal				Ending Balance (Note6)		Note
					Shares	Amount	Shares	Amount	Shares	Selling Price	BookValue	Gain or Loss on Disposal	Shares	Amount	
The Company	Stock	Investment accounted for under the equity method	Formosa Resources Corporation	Associate	300,000	$3,000,000	116,250	$1,162,500	-	$-	$-	$-	416,250	$4,162,500	
The Company	Stock	Investment accounted for under the equity method	Formosa Ha Tinh Steel Corporation	Associate	-	15,369,735	-	-	-	15,292,386	15,292,386	-	-	-	
The Company	Stock	Investment accounted for under the equity method	Formosa Ha tinh (Cayman) Limited	Associate	-	-	508,237	15,292,386	-	-	-	-	508,237	15,292,386	
The Company	Stock	Investment accounted for under the equity method t	Nan Ya Technology Corporation	-	22,098	3,111,222	-	-	6,535	464,037	254,632	209,405	252,351	8,191,199	(Note7) (Note8)

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 leaves 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

Note 5: Acquisition shares and amount herein is disclosed in net of capital.

Note 6: Beginning balance and ending balance herein is disclosed in original cost.

Note 7: Carrying Value is calculated by original cost 920,023 thousand deducted by accumulated impairment 665,391 thousand.

Note 8: During December 2014, the Company reclassified 216,788 thousand shares and $6,000,000 thousand of Nan Ya Technology Corporation securities from available-for-sale securities-noncurrent to available-for-sale securities-current.

E. Acquisition of property with the amount exceeding NTD $300 million or 20% of the Company's paid-in capital: None.

F. Disposal of property with amount exceeding NTD $300 million or 20% of the Company's paid-in capital: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more:

Purchaser/ Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
The Company	Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	$114,095,589 10,965,213	12.50 1.29	30 days after receiving the goods	N/A	N/A	$6,939,963 (440,507)	15.13 2.86
The Company	Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	49,861,988 871,972	5.47 0.10	30 days after receiving the goods	N/A	N/A	3,871,088 (31,853)	8.44 0.21
The Company	Formosa Chemicals & Fiber Corporation	Entity with joint control or significant influence over the Company	Sales Purchases	177,833,055 35,402,965	19.48 4.16	30 days after receiving the goods	N/A	N/A	10,501,777 (1,983,882)	22.89 12.89
The Company	National Petroleum Co., Ltd.	Others	Sales Purchases	26,243,629 -	2.87 -	30 days after receiving the goods	N/A	N/A	1,990,873 -	4.34 -
The Company	Formosa Oil (Asia Pacific) Corporation	Subsidiary	Sales Purchases	19,438,463 -	2.13 -	30 days after receiving the goods	N/A	N/A	1,370,490 -	2.99 -
The Company	Formosa Taffeta Co., Ltd	Others	Sales Purchases	13,651,099 6,841	1.50 -	30 days after receiving the goods	N/A	N/A	604,104 (345)	1.32 -
The Company	Nan Chung Petrochemical Corp.	Others	Sales Purchases	8,753,068 -	0.96 -	30 days after receiving the goods	N/A	N/A	687,201 -	1.50 -
The Company	Caltex Taiwan Corporation	Joint venture	Sales Purchases	10,146,562 -	1.11 -	30 days after receiving the goods	N/A	N/A	743,988 (4,653)	1.62 0.03
The Company	Simosa Oil Corporation	Associate	Sales Purchases	5,742,434 -	0.63 -	30 days after receiving the goods	N/A	N/A	337,573 -	0.74 -
The Company	Formosa BP Chemicals Corporation	Others	Sales Purchases	2,813,373 964,113	0.31 0.11	30 days after receiving the goods	N/A	N/A	135,538 (51,548)	0.30 0.33
The Company	Formosa ABS Plastics (Ningbo) Co., Ltd.	Others	Sales Purchases	930,796 -	0.10 -	30 days after receiving the goods	N/A	N/A	55,766 -	0.12 -
The Company	Mailiao Harbor Administration Corporation	Associate	Sales Purchases	557,940 -	0.06 -	30 days after receiving the goods	N/A	N/A	35,982 (31,703)	0.08 0.21
The Company	Mai-Liao Power Corporation	Associate	Sales Purchases	163,711 -	0.02 -	30 days after receiving the goods	N/A	N/A	3,697 -	0.01 -
The Company	TMS Corp.	Associate	Sales Purchases	277,993 -	0.03 -	30 days after receiving the goods	N/A	N/A	9,571 -	0.02 -
The Company	Formosa Marine Corporation	Associate	Sales Purchases	137,622 -	0.02 -	30 days after receiving the goods	N/A	N/A	- -	- -
The Company	Chang Gung Medical Foundation	Others	Sales Purchases	161,917 -	0.02 -	30 days after receiving the goods	N/A	N/A	15,466 -	0.03 -

H. Receivables from related parties with amounts exceeding NT$100 million or 20 percent of capital stock

Creditor	Counterparty	Relationship with the counterparty	Balance	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
	Accounts Receivable							
The Company	Formosa Chemicals & Fiber Corporation	Entity with joint control or significant influence over the Company	10,501,777	12.38	-	-	10,501,777	N/A
The Company	Formosa Plastics Corporation	Entity with joint control or significant influence over the Company	6,939,963	12.14	-	-	6,939,963	N/A
The Company	Nan Ya Plastics Corporation	Entity with joint control or significant influence over the Company	3,871,088	11.75	-	-	3,871,088	N/A
The Company	National Petroleum Co., Ltd.	Others	1,990,873	11.13	-	-	1,990,873	N/A
The Company	Formosa Oil (Asia Pacific) Corporation	Subsidiary	1,370,490	11.56	-	-	1,370,490	N/A
The Company	Formosa Taffeta Co., Ltd	Others	604,104	19.99	-	-	604,104	N/A
The Company	Caltex Taiwan Corporation	Joint venture	743,988	12.11	-	-	743,988	N/A
The Company	Formosa BP Chemicals Corporation	Others	135,538	15.07	-	-	135,538	N/A
The Company	Simosa Oil Corporation	Associate	337,573	12.33	-	-	337,573	N/A
The Company	Nan Chung Petrochemical Corp.	Others	687,201	11.62	-	-	687,201	N/A
	Other receivables from related parties							
The Company	Nan Ya Photonics Inc.	Others	290,000	-	-	-	80,000	N/A

I. Derivative financial instruments undertaken: Please refer to Notes 6(3),(4) and 12.

J. Significant intercompany transactions between consolidated entities

No. (Note 1)	Company name	Counterparty	Relationship	Transaction			
				Account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	The Company	Formosa Oil (Asia Pacific) Corporation	1	Sales revenue	19,438,463	Prices similar to those with non-related parties	2.13%
				Account receivables	1,370,490	Pay in the following month	0.29%
1	Formosa Oil (Asia Pacific) Corporation	The Company	2	Labor force revenue	179,810	Pay in the following month	0.02%
				Other operating revenue	43,048	-	-
1	Formosa Petrochemical Transportation Corporation	The Company	2	Labor force revenue	377,683	Pay in the following month	0.04%
				Other operating revenue	205	30 days after receiving the goods	-
1	Formosa Dredging Corporation	The Company	2	Labor force revenue	2,694,820	30 days after receiving the goods	0.30%
				Accounts receivable	1,122,722	-	0.24%
				Other accounts payable	165,167	-	0.03%

(2) Investee information

A. Names, locations and related information of investee companies as of 31 December 2014 (excluded Mainland China)

				Original cost		At the end of period					
Investor	Investee (Note1、2)	Region	Main Business	Balance at December 31, 2014	Balance at December 31, 2013	Number of shares (in thousand)	Percentage	Amount	Investees company net income (Note2(2))	Share of Profits/Losses (Note2(3))	Note
The Company	Formosa Oil (Asia Pacific) Corporation	ROC	Retail of petrochemical	$1,097,992	$1,097,992	100,000	100.00%	1,007,945	44,344	44,344	
The Company	Formosa Petrochemical Transportation Corporation	ROC	Transportation	176,019	176,019	19,378	88.00%	248,079	33,343	29,341	
The Company	FPCC USA,INC.	US	Investing	US$23,231	US$22,651	10	100.00%	219,368	(164,829)	(164,829)	
The Company	Formosa Dredging Corporation	BVI	Ship chartering	US$3,100	US$3,100	10	100.00%	117,428	(41,005)	(41,005)	
The Company	Mai-Liao Power Corporation	ROC	Electricity generation	5,985,978	5,985,978	498,878	24.94%	11,427,147	6,534,496	1,629,915	
The Company	Yi-Chi Construction Corporation	ROC	Construction	80,500	80,500	8,050	40.55%	87,833	1,138	461	
The Company	Mailiao Harbor Administration Corporation	ROC	Harbor manage	1,348,137	1,348,137	98,907	44.96%	2,263,872	850,081	382,172	
The Company	Formosa Development Corporation	ROC	Development of land	229,970	229,970	34,847	45.99%	571,015	27,786	12,779	
The Company	Formosa Marine Corporation	ROC	Transportation	20,000	20,000	3,238	20.00%	141,200	464,293	92,858	
The Company	Simosa Oil Corporation	ROC	Retail of other oil products and manufacturing	54,000	54,000	36,782	20.00%	541,154	492,832	98,566	
The Company	Caltex Taiwan Corporation	ROC	Retail of petrochemical products and airport refueling	21,501	21,501	2,400	50.00%	65,824	67,639	33,819	
The Company	Formosa Environmental Technology Corporation	ROC	Disposals of waste and sewage	417,145	417,145	41,714	24.34%	268,003	(24,638)	(5,997)	
The Company	Formosa Ha tinh Steel Corporation	VN	Steel Manufacturing	-	US$516,250	-	-	-	(1,886,762)	(201,184)	
The Company	Formosa Plastics Synthetic Rubber	ROC	Synthetic Rubber Manufacturing	400,000	400,000	40,000	33.33%	376,302	435	145	
The Company	Formosa Plastics Synthetic Rubber(HK)	HK	Synthetic Rubber Manufacturing	US$30,000	US$30,000	-	30.00%	914,644	(106,564)	(31,969)	
The Company	Formosa Kraton Chemical Co., Ltd.	ROC	Synthetic Rubber Manufacturing	1,237,500	1,237,500	123,750	50.00%	1,190,511	(72,969)	(36,485)	
The Company	FormoLight Technologies, Inc	ROC	LED	80,361	80,361	8,036	39.43%	83,245	14,574	5,747	
The Company	Formosa Resources Corporation	ROC	Mining	4,162,500	3,000,000	416,250	25.00%	4,359,188	(275,491)	(68,873)	

English Translation of Financial Statements Originally Issued in Chinese

				Original cost		At the end of period					
Investor	Investee (Note1、2)	Region	Main Business	Balance at December 31, 2014	Balance at December 31, 2013	Number of shares (in thousand)	Percentage	Amount	Investees company net income (Note2(2))	Share of Profits/Losses (Note2(3))	Note
The Company	Formosa Group (Cayman) Limited	Cayman	Investing	US$13	US$13	13	25.00%	21,941	82,603	20,651	
The Company	Formosa Group Investment (Cayman) Limited	Cayman	Investing	US$13	-	13	25.00%	384	(47)	(12)	
The Company	Formosa Ha tinh (Cayman) Limited	Cayman	Investing	US$508,237	-	508,237	14.75%	15,761,452	(622,043)	(168,952)	
Formosa Oil (Asia Pacific) Corporation	Formosa Falkor Engineering Corporation	ROC	Piping component	11,500	11,500	1,150	50.00%	10,734	901	451	
Formosa Oil (Asia Pacific) Corporation	TMS Corp.	ROC	Vehicle and parts export and import	40,000	40,000	2,940	49.00%	37,506	8,527	4,178	
Formosa Oil (Asia Pacific) Corporation	Whale Home International Corp.	ROC	Retail of petrochemical	151,715	151,715	14,994	49.00%	157,045	4,540	2,225	
Formosa Oil (Asia Pacific) Corporation	Jia Fu Petroleum Corp.	ROC	Retail of petrochemical	22,800	22,800	2,945	98.83%	440	(12)	(12)	
Formosa Petrochemical Transportation Corporation	Whale Home International Corp.	ROC	Retail of petrochemical	48,209	48,209	4,801	15.69%	50,286	4,540	712	
FPCC USA, INC.	NEUMIN OIL AND GAS, LLC	US	Oil drilling	US$10,190	US$10,190	60	50.00%	US$640	US$(2)	US$(1)	
Formosa Dredging Corporation	Formosa Petrochemical Marine Company Limited	HK	Transportation	-	-	-	-	-	-	-	

Note 1: If a public company has holding company in other country and had issued consolidated financial statement under local regulations, about these investee could disclosed their holding company's relevant information.

Note 2: If not belong to Note 1, filled in by the following rules

(1) In "Investee", "Region", "Main Business", "Original cost" and "At the end of period" columns should filled in in order follow the company invest directly or invest indirectly and explain each relationship in "Note" column.

(2) In "Investees company net income" column should filled in each investee net income.

(3) In "Share of Profits/Losses" column only need to filled in the company recognized each subsidiaries and the company under equity method's profits or loss. Make sure it had contained each subsidiaries had contained their investee profit or loss in their net income.

B. The company has controlling power over Formosa Petrochemical Transportation Corporation, Formosa Oil (Asia Pacific) Corporation, FPCC USA, INC., Formosa Dredging Corporation and Formosa Petrochemical Marine Company Limited. Although the total assests and total operating revenue has not reached 10% of the company's account, but the significant transaction should be disclosed.

(a) Financing provided to others

No	Creditor	Borrower	General Leger account	Related party	Maximum outstanding balance during the year ended December 31 2014	Balance at December 31, 2014(Credits approved by the Boards)	Actual amount	Interest rate%	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral Item	Collateral Value	Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
1	Formosa Oil (Asia Pacific) Corporation	Whale Home International Corp.	Other receivables from related parties	yes	$50,000	$-	$-	1.607~1.642	(2)	-	Need for operating	N/A	N/A	N/A	$50,000	$403,178

(b) Endorsement/guarantee provided to others for the year ended 31 December 2014: None.

(c) Securities held as of 31 December 2014

Holding Company	Type and Name of the Securities (Note 1)	Relationship	Financial Statement Account	As of 31 December 2014 Shares (thousands)	Carrying Value	Percentage of Ownership (%)	Market Value
Formosa Oil (Asia Pacific) Corporation	Stock－National Petroleum Co., Ltd.	Others	Available-for-sale financial assets - current	72	2,582	-	35.95
Formosa Oil (Asia Pacific) Corporation	Fund－Mega Securities	-	Available-for-sale financial assets - current	16,279	200,331	-	12.31
Formosa Oil (Asia Pacific) Corporation	Stock－Tai Yi Feng Corporation	-	Financial assets measured at cost	1,500	15,000	5%	10.00
Formosa Petrochemical Transportation Corporation	Stock－Eco Trust Japan Co. Ltd.	-	Financial assets measured at cos	1.6	23,630	10%	14,768.75
Formosa Petrochemical Transportation Corporation	Fund－Money market trust fund	-	Available-for-sale financial assets - current	3,834	61,350	-	16.00

(d) Individual securities acquired or disposed of with accumulated amount exceeding NT$300 million or 20 percent of the capital stock for the year ended 31 December 2014

Investor	Marketable securities (Note1)	General ledger account	Counterparty (Note2)	Relationship with investor (Note2)	Balance at January 1, 2014 (Note6) Number of shares(in thousand)	Balance at January 1, 2014 Amount	Addition (Note5) Number of shares(in thousand)	Addition Amount	Disposal Number of shares(in thousand)	Disposal Selling price	Disposal Book value	Disposal Gain (loss) on disposal	Balance at December 31, 2014 (Note6) Number of shares(in thousand)	Balance at December 31, 2014 Amount	Note
Formosa Oil (Asia Pacific) Corporation	Funds	Available-for-sale financial assets- current	-	-	-	$-	40,667	$500,000	24,388	$300,020	$299,852	$168	16,279	$200,148	

Note1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leaves the columns blank.

Note3: 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.

Note4: Paid-in capital means investor's paid-in capital

Note5: Addition number of shares and amounts is expressed in net amount

Note6: Beginning balance and ending balance is expressed in original cost.

(e) Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None

(f) Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None

(g) Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None

(h) Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None

(i) Derivative financial instruments undertaken: None.

(j) Significant inter-company transactions: None.

C. Investment in Mainland China as of 31 December 2014

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investees company net income (Note2)	Percentage of Ownership	Share of Profits/Losses (Note2)	Carrying Amount as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow						
Formosa Plastics Synthetic Rubber(Ningbo)	Synthetic Rubber Manufacturing	USD$100,000 NT$3,171,800	(2)	USD$-	-	-	USD$30,000 NT$900,600	NT$(106,564)	30%	NT$(31,969)	NT$914,644	$-

Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note3)
USD$30,000 NT$900,600	USD$30,000 NT$900,600	NT$143,713,289

Note1：The methods for engaging in investment in Mainland China include the following:

(1) Directly invested in China

(2) Investment in Mainland China companies through a company invested and established in a third region (The third region company is Formosa Plastics Synthetic Rubber(HK)

(3) Other method

Note2：Recognized based on valuation in financial statements audited by investee companies' independent accountants.

Note3：According to MOEA's regulation, the company set its upper limit on investment is based on 60% of equity.

14. OPERATING SEGMENT INFORMATION

(1) Information about reportable segment profit or loss, assets and liabilities

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments as follows:

A. Petrochemical segment: Producing and selling petroleum, and petrochemical products.

B. Public utility segment: Producing and selling water, electricity and steam.

For information regarding the segment reporting and operating activities, please refer to "Other" section of the Note.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group finance costs, finance income and income taxes are managed on a group basis and are not allocated to operating segments.

The transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Information for the year ended December 31, 2014

	Petrochemical Division	Utility Division	Others	Adjustment and eliminations	Consolidated Amount
Revenues					
External customer	$850,031,258	$40,804,434	$22,249,585	$-	$913,085,277
Inter-segment	19,438,463	10,616,113	4,663,011	(34,717,587)	-
Total revenues	$869,469,721	$51,420,547	$26,912,596	$(34,717,587)	$913,085,277
Interest revenues	-	-	571,011	-	571,011
Rental income	1,318,561	-	68,609	-	1,387,170
Interest expense	2,615,618	86,964	220,102	-	2,922,684
Depreciation and depletion	14,654,374	6,036,724	1,137,377	-	21,828,475
Amortization	2,481,174	554,656	144,457	-	3,180,287
Other material non-cash items:					
Impairment of assets	-	-	52,774	-	52,774
Segment profit or loss	$(6,635,682)	$9,548,325	$6,186,896	$-	$9,099,539
Assets					
Investments accounted for using equity method	-	-	38,350,026	-	38,350,026
Segment assets	$252,182,641	$37,589,606	$183,272,909	$-	$473,045,156
Segment liabilities	$173,646,509	$11,549,705	$48,292,964	$-	$233,489,178

Information for the year ended December 31, 2013

	Petrochemical Division	Utility Division	Others	Adjustment and eliminations	Consolidated Amount
Revenues					
External customer	$865,271,492	$43,480,154	$22,582,244	$-	$931,333,890
Inter-segment	19,929,470	10,877,459	1,861,077	(32,668,006)	-
Total revenues	$885,200,962	$54,357,613	$24,443,321	$(32,668,006)	$931,333,890
Interest revenues	-	-	467,236	-	467,236
Rental income	1,304,082	-	61,742	-	1,365,824
Interest expense	2,791,983	255,759	276,929	-	3,324,671
Depreciation and depletion	15,465,256	5,589,829	1,040,068	-	22,095,153
Amortization	2,739,627	411,104	129,201	-	3,279,932
Other material non-cash items:					
Impairment of assets	-	-	39,885	-	39,885
Segment profit or loss	$11,703,241	$9,609,729	$9,702,904	$-	$31,015,874
Assets					
Investments accounted for using equity method	-	-	35,990,643	-	35,990,643
Segment assets	$285,990,698	$37,326,066	$158,910,143	$-	$482,226,907
Segment liabilities	$194,018,915	$13,011,095	$34,825,110	$-	$241,855,120

Note1: Revenues were from segments below the quantitative thresholds, such as load and unload process, transportation services and sales of petroleum products. None of those segments has ever met the quantitative thresholds for determining reportable segments assets.

Note2: Inter-segment revenues are eliminated upon consolidation and reflected in the ‘adjustments and eliminations’ section. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Note3: Profit or loss of each reportable segment does not include the share of profits of associates and joint venture and the foreign currency exchange gains and losses.

(2) Information on reconciliations of revenues, profit or loss, assets, liabilities and other material items of reportable segments:

(a) Revenue

	For the year ended December 31, 2014	For the year ended December 31, 2013
Total revenue from reportable segments	$920,890,268	$939,558,575
Other segment revenue	26,912,596	24,443,321
Eliminate of inter-segment revenue	(34,717,587)	(32,668,006)
The revenue	$913,085,277	$931,333,890

(b) Profit or loss

	For the year ended December 31, 2014	For the year ended December 31, 2013
Total profit or loss for reportable segments	$2,912,643	$21,312,970
Other profit or loss	6,186,896	9,702,904
Profit(loss) before tax from continuing operations	$9,099,539	$31,015,874

(c) Assets

	As of	
	December 31, 2014	December 31, 2013
Total assets of reportable segments	$289,772,247	$323,316,764
Other assets	183,272,909	158,910,143
Segment assets	$473,045,156	$482,226,907

(d) Liabilities

	As of	
	December 31, 2014	December 31, 2013
Total liabilities of reportable segments	$185,196,214	$207,030,010
Other liabilities	48,292,964	34,825,110
Segment liabilities	$233,489,178	$241,855,120

(e) Other material items

For the year ended December 31, 2014

	Reportable segments	Adjustments	Consolidated
Interest revenue	$-	$571,011	$571,011
Rental income	1,318,561	68,609	1,387,170
Interest expense	2,702,582	220,102	2,922,684
Depreciation and depletion	20,691,098	1,137,377	21,828,475
Amortization	3,035,830	144,457	3,180,287
Impairment of assets	-	52,774	52,774
Investments accounted for using equity method	-	38,350,026	38,350,026

For the year ended December 31, 2013

	Reportable segments	Adjustments	Consolidated
Interest revenue	$-	$467,236	$467,236
Rental income	1,304,082	61,742	1,365,824
Interest expense	3,047,742	276,929	3,324,671
Depreciation and depletion	21,055,085	1,040,068	22,095,153
Amortization	3,150,731	129,201	3,279,932
Impairment of assets	-	39,885	39,885
Investments accounted for using equity method	-	35,990,643	35,990,643

Other major projects reconciling items are primarily due to non-operational departments produce.

(3) Geographic information:

Revenues from external customers:

	For the year ended December 31, 2014	For the year ended December 31, 2013
Taiwan	$498,500,992	$531,325,715
Philippines	107,560,900	103,023,237
China	36,096,012	22,349,444
Singapore	99,647,613	72,403,437
South Korea	5,172,234	3,993,224
Other	166,107,526	198,238,833
Taiwan	$913,085,277	$931,333,890

The revenue information above is based on the location of the customer.

Non-current assets:

	As of	
	December 31, 2014	December 31, 2013
Taiwan	$153,215,315	$168,819,888
Other countries	2,995,998	3,176,286
Total	$156,211,313	$171,996,174

(4) Information about major customers

For the year ended December 31, 2014

Customer	Sales Amount	Division
Formosa Chemicals & Fiber Corp.	$177,833,055	Petrochemical and utility divisions
Formosa Plastics Corp.	114,095,589	Petrochemical and utility divisions
	$291,928,644	

For the year ended December 31, 2013

Customer	Sales Amount	Division
Formosa Chemicals & Fiber Corp.	$196,244,372	Petrochemical and utility divisions
Formosa Plastics Corp.	116,739,278	Petrochemical and utility divisions
	$312,983,650	

ISSUER

Formosa Group (Cayman) Limited
Floor 4
Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

GUARANTORS

Formosa Plastics Corporation
Nan Ya Plastics Corporation
Formosa Chemicals & Fibre Corporation
Formosa Petrochemical Corporation
201, Tung Hwa North Road
Taipei 105
Taiwan, Republic of China

AUDITORS TO THE ISSUER, FORMOSA PLASTICS CORPORATION AND NAN YA PLASTICS CORPORATION

KPMG
68F, Taipei 101 Tower
No.7 Section 5, Xinyi Rd.
Taipei
Taiwan, Republic of China

AUDITORS TO FORMOSA CHEMICALS & FIBRE CORPORATION

PricewaterhouseCoopers, Taiwan
27F, 333 Keelung Road, Sec. 1
Taipei 11012
Taiwan, Republic of China

AUDITORS TO FORMOSA PETROCHEMICAL CORPORATION

Ernst & Young
9F, 333 Keelung Road, Sec.1
Taipei 11012
Taiwan, Republic of China

TRUSTEE

The Hongkong and Shanghai Banking Corporation Limited
Level 30, HSBC Main Building
1 Queen's Road Central
Hong Kong

PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT

The Hongkong and Shanghai Banking Corporation Limited
Level 30, HSBC Main Building
1 Queen's Road Central
Hong Kong

LEGAL ADVISORS

To the Issuer and the Guarantors as to ROC law

AY Commercial Law Offices
Suites 1113, Level 11
No. 333, Sec. 1, Keelung Road
Hsinyi District, Taipei City
Taiwan, Republic of China

To the Issuer and the Guarantors as to Cayman Islands law

Walkers
Suites 1501-1507, Alexandra House
18 Chater Road
Central, Hong Kong

To the Managers and the Trustee as to English law

Linklaters
10/F, Alexandra House
Chater Road
Central
Hong Kong

Printed by EQUITY FINANCIAL PRESS LIMITED
15030405