FORMOSA TAFFETA CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2014 AND 2013

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

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of Formosa Taffeta Co., Ltd.

We have audited the accompanying consolidated balance sheets of Formosa Taffeta Co., Ltd. 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 Taffeta Co., Ltd. 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$6,042,605 thousand and NT$4,976,433 thousand, all constituting 8% and 6% of the consolidated total assets as of December 31, 2014 and 2013, respectively, and total operating revenues of NT$4,327,699 thousand and NT$3,260,701 thousand, constituting 9% and 7% of the consolidated total operating revenues for the years then ended, respectively. We also did not audit certain investments accounted for under equity method. the balance of related investment accounted for using equity method amounted to NT$2,909,436 thousand and NT$7,551,755 thousand at December 31,2014 and 2013, respectively. 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$230,305 thousand and NT$279,193 thousand for the years then ended, 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 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

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audits and the reports of other independent accountants provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Formosa Taffeta Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, 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 non-consolidated financial statements of Formosa Taffeta Co., Ltd. (not presented herein) as of and for the years ended December 31, 2014 and 2013, on which we 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 TAFFETA CO., LTD.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,2014 and 2013
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	2014 AMOUNT	2014 %	2013 AMOUNT	2013 %
Current assets					
Cash and cash equivalents	6(1)	$ 3,796,868	5	$ 3,064,945	4
Financial assets at fair value through profit or loss - current	6(2)	654,499	1	1,352	-
Available-for-sale financial assets - current	6(3)	1,709,615	2	1,422,657	2
Notes receivable, net	6(4)	93,100	-	101,000	-
Notes receivable - related parties	7	2,743	-	6,963	-
Accounts receivable, net	6(5)	4,154,561	6	3,760,435	5
Accounts receivable - related parties	7	1,321,930	2	1,036,415	1
Other receivables	7	354,982	-	266,519	-
Inventory	6(6) and 8	7,950,289	11	7,362,831	10
Prepayments		393,671	1	197,527	-
Other current assets		384,755	-	660,737	1
Total current assets		20,817,013	28	17,881,381	23
Non-current assets					
Available-for-sale financial assets - non-current	6(3)	26,322,249	35	30,486,495	40
Financial assets carried at cost - non-current	6(7)	5,442,727	7	353,144	-
Investments accounted for under equity method	6(8)	2,909,436	4	7,551,755	10
Property, plant and equipment	6(9) and 8	17,846,148	24	19,014,371	25
Deferred income tax assets	6(27)	500,772	1	639,217	1
Other non-current assets	6(10) and 8	1,051,206	1	692,017	1
Total non-current assets		54,072,538	72	58,736,999	77
Total assets		$ 74,889,551	100	$ 76,618,380	100

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FORMOSA TAFFETA CO., LTD.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,2014 and 2013
(Expressed in thousands of New Taiwan dollars)

		2014		2013	
Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%
Current liabilities					
Short-term borrowings	6(11) and 8	$ 2,761,686	4	$ 3,706,477	5
Short-term notes and bills payable	6(12)	2,349,524	3	1,249,862	2
Financial liabilities at fair value through profit or loss - current	6(13)	5,843	-	704	-
Notes payable		205,567	-	172,069	-
Notes payable - related parties	7	288,160	-	218,650	-
Accounts payable		1,169,886	2	1,032,409	1
Accounts payable - related parties	7	1,186,014	2	1,491,693	2
Other payables	6(14) and 7	2,047,240	3	1,309,490	2
Current income tax liabilities	6(27)	154,960	-	307,292	1
Other current liabilities	6(15)	354,132	-	240,159	-
Total current liabilities		10,523,012	14	9,728,805	13
Non-current liabilities					
Long-term borrowings	6(15)	9,218,895	12	10,085,653	13
Deferred income tax liabilities	6(27)	95,730	-	55,383	-
Other non-current liabilities	6(16)	2,617,670	4	2,538,454	3
Total non-current liabilities		11,932,295	16	12,679,490	16
Total liabilities		22,455,307	30	22,408,295	29
Equity attributable to owners of parent					
Share capital	6(17)				
Share capital - common stock		16,846,646	23	16,846,646	22
Capital surplus	6(18)				
Capital surplus		38,348	-	98,898	-
Retained earnings	6(19)				
Legal reserve		6,156,773	8	5,943,868	8
Special reserve		644,262	1	326,534	-
Unappropriated retained earnings		4,838,841	6	3,535,764	5
Other equity interest	6(20)				
Other equity interest		20,717,519	28	24,519,105	32
Treasury stocks	6(17)	(22,723)	-	(23,423)	-
Equity attributable to owners of the parent		49,219,666	66	51,247,392	67
Non-controlling interest		3,214,578	4	2,962,693	4
Total equity		52,434,244	70	54,210,085	71
Significant contingent liabilities and unrecognized contract commitments	9				
Significant events after the balance sheet date	11				
Total liabilities and equity		$ 74,889,551	100	$ 76,618,380	100

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

FORMOSA TAFFETA CO., LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

		2014		2013	
Items	Notes	AMOUNT	%	AMOUNT	%
Sales revenue	6(21) and 7	$ 48,191,112	100	$ 47,461,892	100
Operating costs	6(24)(25) and 7	(42,451,350)	(88)	(42,892,654)	(91)
Net operating margin		5,739,762	12	4,569,238	9
Operating expenses	6(24)(25) and 7				
Selling expenses		(1,893,970)	(4)	(1,735,661)	(4)
General and administrative expenses		(898,922)	(2)	(766,888)	(1)
Research and development expenses		(50,326)	-	(48,399)	-
Total operating expenses		(2,843,218)	(6)	(2,550,948)	(5)
Operating profit		2,896,544	6	2,018,290	4
Non-operating income and expenses					
Other income	6(22)	1,197,173	3	319,315	1
Other gains and losses	6(23)	59,883	-	259,046	-
Finance costs	6(26)	(211,869)	-	(215,881)	-
Share of profit/(loss) of associates and joint ventures accounted for under equity method		230,208	-	279,162	1
Total non-operating income and expenses		1,275,395	3	641,642	2
Profit before income tax		4,171,939	9	2,659,932	6
Income tax expense	6(27)	(352,290)	(1)	(482,956)	(1)
Profit for the year		$ 3,819,649	8	$ 2,176,976	5

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FORMOSA TAFFETA CO., LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	2014 AMOUNT	2014 %	2013 AMOUNT	2013 %
Other comprehensive income	6(20)				
Financial statements translation differences of foreign operations		$ 464,689	1	$ 164,919	-
Unrealized loss on valuation of available-for-sale financial assets		(4,268,475)	(9)	(1,101,495)	(2)
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		13,513	-	(10,963)	-
Total other comprehensive loss for the year		($ 3,790,273)	(8)	($ 947,539)	(2)
Total comprehensive income for the year		$ 29,376	-	$ 1,229,437	3
Profit attributable to:					
Owners of the parent		$ 3,518,374	7	$ 2,129,053	5
Non-controlling interest		301,275	1	47,923	-
		$ 3,819,649	8	$ 2,176,976	5
Comprehensive (loss) income attributable to:					
Owners of the parent		($ 283,212)	(1)	$ 1,181,234	3
Non-controlling interest		312,588	1	48,203	-
		$ 29,376	-	$ 1,229,437	3

		2014 Before Tax	2014 After Tax	2013 Before Tax	2013 After Tax
Basic and diluted earnings per share	6(28)				
Profit for year form continuing operations		$ 2.48	$ 2.27	$ 1.58	$ 1.29
Non-controlling interest		(0.35)	(0.18)	(0.13)	(0.02)
Profit attributable to common shareholders of the parent		$ 2.13	$ 2.09	$ 1.45	$ 1.27
Assuming shares held by subsidiary are not deemed as treasury stock：					
Profit for year form continuing operations		$ 2.48	$ 2.27	$ 1.58	$ 1.29
Non-controlling interest		(0.36)	(0.18)	(0.14)	(0.03)
Profit attributable to common shareholders of the parent		$ 2.12	$ 2.09	$ 1.44	$ 1.26

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

FORMOSA TAFFETA CO., LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent													
			Capital Reserves				Retained Earnings			Other equity interest					
	Notes	Share capital - common stock	Capital surplus - Treasury stock transac-tions	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Donated assets received	Change in net equity of associates and joint ventures accounted for under equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
2013															
Balance at January 1, 2013		$ 16,846,646	$ -	$ -	$2,032	$ -	$ 5,702,892	$279,088	$ 3,379,798	($245,890)	$ 25,712,814	($26,488)	$ 51,650,892	$3,065,985	$ 54,716,877
Appropriations of 2012 earnings：	6(19)														
Legal reserve		-	-	-	-	-	240,976	-	(240,976)	-	-	-	-	-	-
Special reserve		-	-	-	-	-	-	492,390	(492,390)	-	-	-	-	-	-
Reversal of special reserve		-	-	-	-	-	-	(444,944)	444,944	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	(1,684,665)	-	-	-	(1,684,665)	-	(1,684,665)
Profit for the year		-	-	-	-	-	-	-	2,129,053	-	-	-	2,129,053	47,923	2,176,976
Changes in the net interest of associates recognised under the equity method		-	-	-	-	89,847	-	-	-	-	-	-	89,847	-	89,847
Disposal of treasury stock	6(17)	-	7,019	-	-	-	-	-	-	-	-	3,065	10,084	-	10,084
Other comprehensive loss for the year	6(20)	-	-	-	-	-	-	-	-	150,596	(1,098,415)	-	(947,819)	280	(947,539)
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(151,495)	(151,495)
Balance at December 31, 2013		$ 16,846,646	$7,019	$ -	$2,032	$89,847	$ 5,943,868	$326,534	$ 3,535,764	($95,294)	$ 24,614,399	($23,423)	$ 51,247,392	$2,962,693	$ 54,210,085

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FORMOSA TAFFETA CO., LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent													
			Capital Reserves				Retained Earnings			Other equity interest					
	Notes	Share capital - common stock	Capital surplus - Treasury stock transac-tions	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Donated assets received	Change in net equity of associates and joint ventures accounted for under equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
2014															
Balance at January 1, 2014		$ 16,846,646	$7,019	$ -	$2,032	$89,847	$ 5,943,868	$ 326,534	$ 3,535,764	($95,294)	$ 24,614,399	($23,423)	$ 51,247,392	$2,962,693	$ 54,210,085
Appropriations of 2013 earnings：	6(19)														
Legal reserve		-	-	-	-	-	212,905	-	(212,905)	-	-	-	-	-	-
Special reserve		-	-	-	-	-	-	608,754	(608,754)	-	-	-	-	-	-
Reversal of special reserve		-	-	-	-	-	-	(291,026	291,026	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	(1,684,664)	-	-	-	(1,684,664)	-	(1,684,664)
Profit for the year		-	-	-	-	-	-	-	3,518,374	-	-	-	3,518,374	301,275	3,819,649
Changes in the net interest of associates recognised under the equity method		-	-	-	-	(65,153)	-	-	-	-	-	-	(65,153)	-	(65,153)
Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount		-	-	545	-	-	-	-	-	-	-	-	545	-	545
Stocks of the parent company bought by the subsidiary and recognised as treasury stock		-	2,613	-	-	-	-	-	-	-	-	-	2,613	-	2,613
Disposal of treasury stock	6(17)	-	1,445	-	-	-	-	-	-	-	-	700	2,145	-	2,145
Other comprehensive loss for the year	6(20)	-	-	-	-	-	-	-	-	481,015	(4,282,601)	-	(3,801,586)	11,313	(3,790,273)
Cash dividends paid by consolidated subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(60,703)	(60,703)
Balance at December 31, 2014		$ 16,846,646	$11,077	$ 545	$2,032	$24,694	$ 6,156,773	$644,262	$ 4,838,841	$385,721	$ 20,331,798	($22,723)	$ 49,219,666	$3,214,578	$ 52,434,244

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

FORMOSA TAFFETA CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,2014 and 2013
(Expressed in thousands of New Taiwan dollars)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		$ 4,171,939	$ 2,659,932
Adjustments to reconcile net income to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Provision for bad debts		5,724	5,020
Depreciation	6(24)	3,367,232	3,981,235
Interest expense	6(26)	211,869	215,881
Interest income	6(22)	(20,777)	(16,661)
Dividend income	6(22)	(967,716)	(129,404)
(Gain) loss on valuation of financial assets	6(23)	(3,610)	12,212
Loss (gain) on valuation of financial liabilities	6(13)(23)	5,379	(449)
Share of profit of associates and joint ventures accounted for under equity method		(230,208)	(279,161)
Cash dividends from investments accounted for under equity method		46,056	32,898
Gain on disposal of investments	6(23)	(36,476)	(93,104)
Gain on disposal and scrap of property, plant and equipment	6(23)	38,231	(93,687)
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)	3,675
Notes receivable, net		7,900	155,547
Notes receivable - related parties		4,220	7,661
Accounts receivable , net		(399,850)	272,426
Accounts receivable - related parties		(285,515)	309,439
Other receivables		(88,463)	(47,511)
Inventory		(587,458)	(248,822)
Prepayments		(196,144)	158,985
Other current assets		275,982	(162,157)
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		(240)	(3,674)
Notes payable		33,498	14,925
Notes payable - related parties		69,510	(300,850)
Accounts payable		137,477	(211,680)
Accounts payable - related parties		(305,679)	(56,534)
Other payables		668,553	(325,068)
Other current liabilities		102,561	(46,893)
Cash generated from operations		5,374,458	5,814,181
Interest received		20,777	16,661
Dividend received		967,716	129,404
Interest paid		(216,324)	(216,579)
Income tax paid		(325,832)	(258,134)
Net cash provided by operating activities		5,820,795	5,485,533

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FORMOSA TAFFETA CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,2014 and 2013
(Expressed in thousands of New Taiwan dollars)

	Notes	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		($ 390,435)	$ -
Proceeds from disposal of available -for-sale financial assets		-	655,552
Acquisition of investment accounted for using equity method		(119,154)	(3,528,714)
Acquisition of property, plant and equipment	6(29)	(1,893,163)	(1,579,873)
Proceeds from disposal of property, plant and equipment		49,157	127,236
(Decrease) increase in other non-current assets		(422,244)	138,619
Net cash used in investing activities		(2,775,839)	(4,187,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(1,101,334)	868,351
Increase in short-term notes and bills payable		1,099,662	849,922
Payment of long-term borrowings		(8,107,115)	(12,451,758)
Increase in long-term borrowings		7,200,000	11,510,000
Cash dividends paid - non-controlling interest		(60,703)	(151,495)
Cash dividends paid	6(19)	(1,684,664)	(1,684,665)
Increase in other non-current liabilities		79,216	57,595
Net cash used in financing activities		(2,574,938)	(1,002,050)
Effect of foreign exchange rate		261,905	53,886
Increase in cash and cash equivalents		731,923	350,189
Cash and cash equivalents at beginning of year	6(1)	3,064,945	2,714,756
Cash and cash equivalents at end of year	6(1)	$ 3,796,868	$ 3,064,945

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

FORMOSA TAFFETA CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1)Formosa Taffeta Co., Ltd. (the "Company") was incorporated on April 19, 1973 under the provisions of the Company Law of the Republic of China (R.O.C.). Factories were established in Douliou City of Yulin County, R.O.C. On December 24, 1985, the Company's common stock was officially listed on the Taiwan Stock Exchange Corporation. The major operations of the Company's various departments are as follows:

Business departments	Major activities
Primary department: Fabrics & dyeing	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs
Secondary department: Cord fabrics, petroleum and others	Cord, plastics bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers
Formosa Advanced Technologies Co., Ltd.	Assembly, testing, model processing and research and development of various integrated circuits

(2)Formosa Chemicals & Fiber Corp. has significant control over the Company since Formosa Chemicals & Fiber Corp. holds over half of the Board seats after the stockholders' meeting on June 27, 2008. Since June 27, 2008, Formosa Chemicals & Fiber Corp. became the Company's parent company and accordingly, the Company and its subsidiaries are included in its consolidated financial statements.

(3)As of December 31, 2014, the Company and its subsidiaries (collectively referred herein as the "Group") had 9,884 employees.

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

These consolidated financial statements were authorised 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 IFRS 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 recognised immediately in other comprehensive income. 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. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows.

The Group expected to recognise previously unrecognised past service cost and as a consequence of elimination of the corridor approach to recognise prior unrecognised actuarial losses by increasing accrued pension liabilities and deferred income tax assets by $90,789 and $15,434 and decreasing retained earnings and non-controlling interest by $70,886 and $4,469 at January 1, 2014, respectively; the Group shall increase accrued pension liabilities, deferred income tax assets and other comprehensive income by $223,010, $15,429 and $131,222 and decrease retained earnings and non-controlling interest by $70,860 (including operating expense of $31 and income tax expense of $5) and $5,499 at December 31, 2014, respectively. The Group will disclose additional information about employee benefits accordingly.

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.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.

(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 IFRS 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 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

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, 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 and unrecognised actuarial losses, and less unrecognised 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.

(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.

B.Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2014	Ownership (%) December 31, 2013	Description
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.	Taffeta (Zhong Shan) Co, Ltd.	Manufacturing of nylon and polyester filament greige cloth, coloured cloth, printed cloth and textured processing yarn	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Development Co., Ltd.	Urban land consolidation, development and rent and sale of residential and buildings, and development of new community and specialised zones	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta Vietnam Co., Ltd.	Manufacturing, processing, supply and marketing of yarn, knitted fabric, dyeing and finishing, carpets, curtains and cleaning supplies	100.00	100.00	
Formosa Taffeta Co., Ltd.	Formosa Taffeta (Hong Kong) Co.,	Sale of nylon and polyamine goods	100.00	99.90	Note 3
Formosa Taffeta Co., Ltd.	Schoeller F.T.C. (Hong Kong) Co., Ltd.	Sale of hi-tech performance fabric for 3XDRY, Nanosphere, Keprotec, Dynatec, Spirit and Reflex	43.00	43.00	Note 1
Formosa Taffeta Co., Ltd.	Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Export trading, entrepot trading, displaying goods, processing of exporting goods, warehousing and black and white and colour design and graph	100.00	100.00	
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.	Formosa Taffeta (Cayman) Limited	Holding Company	100.00	100.00	Note 2
Formosa Taffeta (Hong Kong) Co., Ltd.	Formosa Taffeta (Changshu) Co., Ltd.	Manufacturing and processing fabric of nylon filament knitted cloth, weaving and dyeing as well as post processing of knitted fabric	100.00	100.00	

Note 1: Even though the Company did not directly or indirectly own more than 50% voting

rights of Schoeller F.T.C. (Hong Kong) Co., Ltd., the Company owns more than half of the seats in the Board of Directors of Schoeller F.T.C. (Hong Kong) Co., Ltd. and has substantive control over the company. Thus, Schoeller F.T.C. (Hong Kong) Co., Ltd. is included in the consolidated financial statements.

Note 2:As resolved by the Board of Directors on March 21, 2014, the Company invested in Formosa Taffeta (Cayman) Limited with a holding percentage of 100%.

Note 3: The Company acquired outstanding non-controlling interest in June, 2014.

Except for the subsidiaries, Formosa Taffeta Vietnam Co., Ltd., Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.,Formosa Taffeta (Dong Nai) Co., Ltd. and Schoeller F.T.C. (Hong Kong) Co., Ltd. were valuated according to audit reports by other accountants, audit reports of other subsidiaries were based on our audit.

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 Company's functional and the Group's 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. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B.Translation of foreign operations

The operating results and financial position of all the group entities and associates 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.

(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 categorised as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement 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 is recognised 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 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) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in 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) Construction contracts

A.IAS 11, 'Construction Contracts', defines a construction contract as a contract specifically negotiated for the construction of an asset. If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue should be recognised by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. Contract costs are expensed as incurred. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. An expected loss where total contract costs will exceed total contract revenue on a construction contract should be recognised as an expense as soon as such loss is probable. If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable.

B.Contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.

(14) 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 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 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 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 recognizes 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.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.

F.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, then 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.

G.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.

(15) 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.

E. The estimated useful lives of property, plant and equipment are as follows:

Items	Estimated useful lives
Land improvements	3 ~ 15 years
Buildings	10 ~ 60 years
Machinery and equipment	2 ~ 15 years
Transportation equipment	3 ~ 15 years
Other equipment	2 ~ 15 years

(16) Impairment of non-financial assets

The Company 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. When the circumstances or reasons for recognising 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

A. 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 categorised as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(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 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) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognised at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortisation and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(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. 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 Company 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 government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognised in profit or loss using the 'corridor' method in the period in which they arise.

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 obligation 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 should be recognised based on the accounting for changes in estimates.

(24) <u>Income tax</u>

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, research and development expenditures 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) Share capital

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.

(27) Revenue recognition

The Group manufactures and sells various fabrics and renders services as an oil distributor. Revenue is measured at the fair value of the consideration received or receivable taking into account business 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 should be 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.

(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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICALACCOUNTING 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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related 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.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would recognise impairment loss in its financial statements, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired financial assets measured at cost in profit or loss.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2014, the carrying amount of inventories was $7,950,289.

6. DETAILS OF SIGNIFICANTACCOUNTS

(1) Cash and cash equivalents

	December 31, 2014		December 31, 2013	
Cash on hand and petty cash (revolving funds)	$	82,717	$	59,144
Checking accounts and demand deposits		2,012,479		2,244,504
Time deposits		243,371		71,026
Cash equivalents		1,458,301		690,271
	$	3,796,868	$	3,064,945

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 rate range of time deposit on December 31, 2014 and 2013 are 0.25%~1.35% and 0.25%~2.85% , respectively.

C.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, 2014		December 31, 2013	
Current items:				
Financial assets held for trading				
Beneficiary certificates	$	649,854	$	-
Forward foreign exchange contracts		2,394		1,352
		652,248		1,352
Valuation adjustment of financial assets held for trading		2,251		-
	$	654,499	$	1,352

A.The Group recognised net loss of ($3,610) and ($12,212) on financial assets held for trading for the years ended December 31, 2014 and 2013, respectively.

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

	December 31, 2014			December 31, 2013		
Derivative Instruments	Contract Amount (Notional Principal) (In dollars)		Contract Period	Contract Amount (Notional Principal) (In dollars)		Contract Period
Current items:						
Forward foreign exchange contracts						
Taipei Fubon Bank	JPY	240,470,000	2014.10~2015.03	JPY	39,260,000	2013.10~2014.01
Chang Hwa Bank		-	-	USD	3,000,000	2013.10~2014.02

C.The forward exchange contracts are buy USD and sell JPY to hedge the change of exchange rate due to import and export, but not adopting hedge accounting.

(3) Available-for-sale financial assets

	December 31, 2014	December 31, 2013
Current items:		
Listed (TSE and OTC) stocks	$ 1,416,938	$ 1,026,503
Valuation adjustment of available-for-sale financial assets	292,677	396,154
	$ 1,709,615	$ 1,422,657
Non-current items:		
Listed (TSE and OTC) stocks	$ 8,859,918	$ 8,859,918
Valuation adjustment of available-for-sale financial assets	20,075,416	24,239,662
	28,935,334	33,099,580
Accumulated impairment - available-for-sale financial assets	(2,613,085)	(2,613,085)
	$ 26,322,249	$ 30,486,495

A. In June 2014, the shareholders of the Group's investee - Nan Ya Technology Corporation have resolved to reduce 90% of capital to cover accumulated deficit. The record date for capital reduction was set as June 27, 2014.

B.For the years ended December 31, 2014 and 2013, the Group received cash dividends from investees accounted as available-for-sale financial assets amounting to $963,855 and $126,996, respectively.

(4) Notes receivable, net

	December 31, 2014	December 31, 2013
Notes receivable	$ 95,066	$ 102,966
Less: allowance for bad debts	(1,966)	(1,966)
	$ 93,100	$ 101,000

(5) Accounts receivable, net

	December 31, 2014	December 31, 2013
Accounts receivable	$ 4,274,693	$ 3,874,843
Less: allowance for bad debts	(120,132)	(114,408)
	$ 4,154,561	$ 3,760,435

A.The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2014	December 31, 2013
Group 1	$ 3,397,231	$ 2,746,243
Group 2	341,007	738,471
Group 3	356,228	151,508
	$ 4,094,466	$ 3,636,222

Note:

Group 1: Transnational customers, brand customers or credit customers applied for collateralised mortgage.

Group 2: Non transnational customers, non brand customers or credit customers have not applied for collateralised mortgage with 2 or more years of transaction history with the Group.

Group 3: Non transnational customers, non brand customers or credit customers have not applied for collateralised mortgage with less than 2 years of transaction history with the Group.

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

	December 31, 2014	December 31, 2013
Up to 30 days	$ 103,464	$ 173,187
31 to 90 days	50,459	31,922
91 to 180 days	7,966	13,721
Over 180 days	3,530	15,610
	$ 165,419	$ 234,440

The above ageing analysis was based on past due date.

Movement analysis of financial assets that were impaired - allowance for bad debts is as follows:

(a) As of December 31, 2014 and 2013, the Group's accounts receivable that were impaired amounted to $14,808 and $4,181, respectively.

(b) Movements on the Group's provision for impairment of accounts receivable are as follows:

	Year ended December 31, 2014		
	Individual provision	Group provision	Total
At January 1	$ 4,181	$ 110,227	$ 114,408
Provision for impairment (revenue reversed)	10,627	(6,762)	3,865
Effect of exchange rate	-	1,859	1,859
At December 31	$ 14,808	$ 105,324	$ 120,132

	Year ended December 31, 2013		
	Individual provision	Group provision	Total
At January 1	$ -	$ 109,388	$ 109,388
Provision for impairment (revenue reversed)	4,181	(768)	3,413
Effect of exchange rate			
At December 31	-	1,607	1,607
	$ 4,181	$ 110,227	$ 114,408

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

E. The Group does not hold any collateral as security for accounts receivable.

(6) Inventories

	December 31, 2014		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,461,663	($ 74,416)	$ 1,387,247
Supplies	262,182	(5,110)	257,072
Work in process	2,461,667	(9,323)	2,452,344
Finished goods	3,366,167	(349,711)	3,016,456
Merchandise inventory	195,727	-	195,727
Materials in transit	415,975	-	415,975
Outsourced processed materials	163,178	-	163,178
Construction in progress	15,892	-	15,892
Land for construction	46,398	-	46,398
	$ 8,388,849	($ 438,560)	$ 7,950,289

	December 31, 2013		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,278,034	($ 57,827)	$ 1,220,207
Supplies	302,602	(3,952)	298,650
Work in process	2,089,827	(785)	2,089,042
Finished goods	3,063,168	(323,805)	2,739,363
Merchandise inventory	438,080	-	438,080
Materials in transit	394,461	-	394,461
Outsourced processed materials	84,462	-	84,462
Construction in progress	11,883	-	11,883
Land for construction	86,683	-	86,683
	$ 7,749,200	($ 386,369)	$ 7,362,831

Information about the inventories that were pledged to others as collateral is provided in Note 8.

The cost of inventories recognized as expense for the years ended December 31, 2014 and 2013 were as follows:

	Years ended December 31, 2014	Years ended December 31, 2013
Cost of inventories sold	$ 42,223,582	$ 42,992,711
Idle capacity	158,612	-
Inventory valuation loss (gain from recovery) (Note 1)	52,191	(2,816)
Others (Note 2)	16,965	(97,241)
	$ 42,451,350	$ 42,892,654

Note 1: Gain from recovery was recognised from sales of inventory previously provided with allowance for the year ended December 31, 2013.

Note 2: Others consist of inventory over/short and disposal of scrap and defective materials.

(7) Financial assets measured at cost – non-current

Items	December 31, 2014	December 31, 2013
Unlisted stocks	$ 5,442,727	$ 353,144

A.According to the Group's intention, its investment in 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 or the related financial information on the investees 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.As the Company lost its significant impact on Formosa Ha Tinh Steel Corporation in September 2014, the Company has reclassified the amount as financial assets measured at cost – non-current. Details are provided in Note 6(8) D.

C.For the years ended December 31, 2014 and 2013, the Group received cash dividends from investees accounted as financial assets measured at cost of $3,861 and $2,408, respectively.

D.As of December 31, 2014 and 2013, no financial assets measured at cost held by the Group were pledged to others.

(8) Investments accounted for using equity method

	December 31, 2014	December 31, 2013
Formosa Industry Co., Ltd.	$ 2,065,036	$ 1,867,387
Kuang Yueh Co., Ltd.	844,400	560,949
Formosa Ha Tinh Steel Corporation	-	5,123,419
	$ 2,909,436	$ 7,551,755

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

December 31, 2014	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
Formosa Industry Co., Ltd.	$ 25,838,673	$ 6,089,667	$ 24,565,712	$ 1,135,295	10.00%
Kuang Yueh Co., Ltd. (Note 1)	6,365,432	2,176,940	6,240,942	914,818	20.16%
	$ 32,204,105	$ 8,266,607	$ 30,806,654	$ 2,050,113	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interest held
December 31, 2013					
Formosa Industry Co., Ltd.	$ 24,176,515	$ 6,403,996	$ 24,768,913	$ 1,434,161	10.00%
Kuang Yueh Co., Ltd.	4,749,334	1,998,218	5,017,518	644,612	20.39%
Formosa Ha Tinh Steel Corporation (Note 2)	104,450,894	6,301,098	-	(413,748)	5.22%
	$ 133,376,743	$ 14,703,312	$ 29,786,431	$ 1,665,025	

Note 1: The Company's associates Kuang Yueh Co., Ltd. have raised capital by cash in December 2014. Because the Company did not acquire new shares proportionately to its ownership, the holding ratio as of December 31, 2014 was changed and capital surplus of $11,974 was incurred.

Note 2: The Company's associates Formosa Ha Tinh Steel Corporation have raised capital by cash in December 2013. Because the Company did not acquire new shares proportionately to its ownership, the holding ratio as of December 31, 2013 was changed and capital surplus of $89,847 was incurred.

B.The investment income of $230,209 and $279,162 for the years ended December 31, 2014 and 2013, respectively, were accounted for under the equity method based on the audited financial statements of the investee companies.

C.The Company is the director of Formosa Industry Co., Ltd. and has significant impact to its operations, thus, Formosa Industry Co., Ltd. is accounted for using equity method.

D.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 USD$173,705 in Formosa Ha Tinh Steel Corporation after reorganization. However, the Company has lost its director seat at Formosa Ha Tinh Steel Corporation, and the Company does not hold any director seat at FORMOSA HA TINH (CAYMAN) LIMITED. Thus, the capital transfer did not impact any of the two companies. The Company reclassified the original investment to 'financial assets at cost – non-current’ in September 2014. Under IAS 28, ‘Investments in Associates’, the Company has revaluated at fair value, and recognised the difference between book value and fair value of investment as other gains and losses of $32,821.

(9) Property, plant and equipment

At January 1, 2014	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
Cost	$ 2,401,619	$ 10,174,392	$ 41,240,213	$ 9,579,469	$ 496,713	$ 63,892,406
Accumulated depreciation	(14,369)	(4,576,004)	(31,920,265)	(8,209,668)	-	(44,720,306)
Accumulated impairment	(155,738)	-	(1,991)	-	-	(157,729)
	$ 2,231,512	$ 5,598,388	$ 9,317,957	$ 1,369,801	$ 496,713	$ 19,014,371
2014						
Opening net book amount	$ 2,231,512	$ 5,598,388	$ 9,317,957	$ 1,369,801	$ 496,713	$ 19,014,371
Additions	135,149	13	632	11,784	1,819,237	1,966,815
Disposals	-	(64)	(85,998)	(1,326)	-	(87,388)
Transfers (Note)	14,890	102,383	1,298,779	52,785	(1,405,787)	63,050
Depreciation charge	(318)	(337,676)	(2,638,766)	(390,472)	-	(3,367,232)
Net exchange differences	166	104,939	119,869	15,077	16,481	256,532
Closing net book amount	$ 2,381,399	$ 5,467,983	$ 8,012,473	$ 1,057,649	$ 926,644	$ 17,846,148
At December 31, 2014						
Cost	$ 2,552,585	$ 10,448,063	$ 42,049,912	$ 9,508,253	$ 926,644	$ 65,485,457
Accumulated depreciation	(15,448)	(4,980,080)	(34,035,448)	(8,450,604)	-	(47,481,580)
Accumulated impairment	(155,738)	-	(1,991)	-	-	(157,729)
	$ 2,381,399	$ 5,467,983	$ 8,012,473	$ 1,057,649	$ 926,644	$ 17,846,148

Note :Transferred from prepayment for equipment.

	Land and land improvements	Buildings	Machinery	Transportation equipment and other equipment	Construction in progress and equipment to be inspected	Total
January 1, 2013						
Cost	$ 2,420,585	$ 9,871,793	$ 39,619,672	$ 10,063,602	$ 890,404	$ 62,866,056
Accumulated depreciation	(13,309)	(4,210,507)	(29,030,625)	(8,112,855)	-	(41,367,296)
Accumulated impairment	(155,738)	-	(1,991)	-	-	(157,729)
	$ 2,251,538	$ 5,661,286	$ 10,587,056	$ 1,950,747	$ 890,404	$ 21,341,031
2013						
Opening net book amount	$ 2,251,538	$ 5,661,286	$ 10,587,056	$ 1,950,747	$ 890,404	$ 21,341,031
Additions	21,298	187	23,467	2,949	1,501,797	1,549,698
Disposals	-	(2,696)	(23,720)	(7,133)	-	(33,549)
Transfers	-	186,329	1,791,319	(73,672)	(1,903,976)	-
Depreciation charge	(310)	(330,904)	(3,131,728)	(518,293)	-	(3,981,235)
Net exchange differences	(41,014)	84,186	71,563	15,203	8,488	138,426
Closing net book amount	$ 2,231,512	$ 5,598,388	$ 9,317,957	$ 1,369,801	$ 496,713	$ 19,014,371
At December 31, 2013						
Cost	$ 2,401,619	$ 10,174,392	$ 41,240,213	$ 9,579,469	$ 496,713	$ 63,892,406
Accumulated depreciation	(14,369)	(4,576,004)	(31,920,265)	(8,209,668)	-	(44,720,306)
Accumulated impairment	(155,738)	-	(1,991)	-	-	(157,729)
	$ 2,231,512	$ 5,598,388	$ 9,317,957	$ 1,369,801	$ 496,713	$ 19,014,371

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

	Years ended December 31,	
	2014	2013
Amount capitalised	$ 3,146	$ 5,276
Interest rate	1.26%~2.50%	1.23%~2.50%

B. The components and useful lives of property, plant and equipment are as follows:

Items	Significant components	Estimated useful lives
Land improvements	Pipelines	3 ~ 15 years
Buildings	Factory and gasoline stations	10 ~ 60 years
Machinery and equipment	Impregnating machine, dyeing machine and other machinery equipment	2 ~ 15 years
Transportation equipment	Pallet trucks and fork lift trucks	3 ~ 15 years
Other equipment	Cogeneration power generation	2 ~ 15 years

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

D. Certain regulations restrict ownership of land to individuals. Accordingly, the title of land which the Company has acquired for future plant expansion is under the name of third parties. Such land titles were transferred and mortgaged to the Company. As of December 31, 2014 and 2013, the land mortgaged to the Company was $608,400 and $526,350, respectively.

(10) Long-term prepaid rents (shown as ‘Other non-current assets’)

	December 31, 2014	December 31, 2013
Land use right - Formosa Taffeta Co., Ltd.	$ 1,171	$ 6,446
Land use right - Formosa Taffeta (Zhong Shan) Co., Ltd.	38,490	37,781
Land use right - Formosa Taffeta (Dong Nai) Co., Ltd.	152,799	148,577
Land use right - Formosa Taffeta (Changshu) Co., Ltd.	167,906	162,705
	$ 360,366	$ 355,509

A. Land use right of Formosa Taffeta Co., Ltd. pertains to the payment for the right to a establish petrol station and title transfer of land leasing right and is amortised over the land lease period under the contract.

B. Formosa Taffeta (Zhong Shan) Co., Ltd. has leased land of Xijiangbian Dingxi Village, Shenwan Town, Zhengshan, Guangdong amounting to 508 acres from Shenwan Town People’s Government of Zhongshan City in Guangdong Province, Mainland China and paid land use right of HK12,599 thousand. The effective period is 50 years from the date of issuance of certificate of land use right, and the lease period is from November 20, 1991 to November 20, 2041.The Group recognised rental expense of Renminbi 266 thousand and Renminbi 267 thousand for the years ended December 31, 2014 and 2013, respectively.

C. Formosa Taffeta (Dong Nai) Co., Ltd. has paid land use right of VND75,655,550 thousand and VND48,134,338 thousand for the leased land of 273,661.1 square metres and 65,086 square metres of Nhon Trach 3 Industrial Zone in Nhon Trach District, Dong Nai Province, Vietnam from Formosa Industries Corporation in September 2004 and December 2013, respectively. The lease period started from September 1, 2004 and December 1, 2012, respectively, and the effective periods are both 140 years from the date of issuance of certificate of land use right. The Group recognised rental expense of VND 1,697,946 thousand for the years ended December 31, 2014 and 2013, respectively.

D. Formosa Taffeta (Changshu) Co., Ltd. has leased 3 parcels of land amounting to 277,172 square metres in Economy Development Zone from Changshu City Land and Resources Bureau in Jiangsu Province, Mainland China. The effective period of land use right started from the date of issuance of certificate of land use right and the lease period ends in December 2056 to December 2076. Furthermore, partial land was not used until November 18, 2011, so the government has taken back the land. Proceeds of land amounted to RMB12,738 thousand in February 2012 and impairment loss in 2011 was RMB 4,726 thousand. As of December 31, 2014, the area of the Company’s 2 leased parcels of land was 176,509 square metres, and the effective period of land use right ends on December 2056 and December 2076. The Group recognised rental expense of Renminbi 728 thousand and Renminbi 729 thousand for the years ended December 31, 2014 and

2013, respectively.

(11) Short-term borrowings

Type of borrowings	December 31, 2014	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 2,471,686	1.70%～2.14%	Property, plant and equipment and Inventories
Credit borrowings	290,000	0.98%	－
	$ 2,761,686		

Type of borrowings	December 31, 2013	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 2,366,569	1.56%～2.30%	Property, plant and equipment and Inventories
Credit borrowing	1,339,908	0.98%～5.88%	－
	$ 3,706,477		

(12) Short-term notes and bills payable

	December 31, 2014	December 31, 2013
Commercial papers payable	$ 2,350,000	$ 1,250,000
Less: Commercial papers payable discount	(476)	(138)
	$ 2,349,524	$ 1,249,862
Interest rate	1.00%	1.05%~1.10%

The abovementioned commercial papers payable are guaranteed by International Bills Finance Corp., etc.

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

Items	December 31, 2014	December 31, 2013
Current items:		
Financial liabilities held for trading		
Forward foreign exchange contracts	$ 5,843	$ 704

A.The Group recognized net (loss) gain of ($5,379) and $449 on financial liabilities held for trading for the years ended December 31, 2014 and 2013, respectively.

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

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

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies. However, these forward foreign exchange contracts do not meet all conditions of hedge accounting and are not accounted for under hedge accounting.

(14) Other payables

	December 31, 2014	December 31, 2013
Dividends payable	$ 11,395	$ 20,200
Salaries and year-end bonus payable	769,631	620,565
Accrued utilities expenses	138,524	126,840
Commission payable	44,465	46,880
Others	1,083,225	495,005
	$ 2,047,240	$ 1,309,490

(15) Long-term borrowings

Type of borrowings	Borrowing period / repayment term	Interest rate range	Collateral	December 31, 2014
Long-term bank borrowings				
Credit borrowings				
Hua Nan Bank	2014.01.15~2016.01.15 principal payable at maturity	1.28%	None	$ 1,500,000
Mega International Commercial Bank	2013.06.21~2016.06.21	1.40%	None	1,500,000
First Bank	2013.09.16~2016.09.16 principal payable at maturity	1.27%	None	-
Far Eastern International Bank	2013.04.22~2016.04.22 principal payable at maturity	1.33%	None	1,200,000
Bangkok Bank	2013.12.11~2015.12.11 principal payable at maturity	1.32%	None	200,000
HSBC Bank	2013.12.11~2015.12.11 principal payable at maturity	1.23%	None	1,500,000
Industrial Bank of Taiwan	2013.08.20~2016.08.20 principal payable at maturity	1.31%~1.32%	None	500,000
Chinatrust Bank	2014.09.25~2016.09.25 principal payable at maturity	1.34%	None	500,000
China Development Industrial Bank	2014.04.21~2016.04.21 principal payable at maturity	1.33%	None	500,000
Installment-repayment borrowings				
Secured bank borrowing Hua Nan Bank	2010.04.26~2017.08.11 principal payable annually	SIBOR for 6 months +1.6%	Endorsement from Formosa Taffeta Co., Ltd.	390,685
				9,290,685
Less: current portion (Shown as other current liabilities)				(71,790)
				$ 9,218,895

Type of borrowings	Borrowing period / repayment term	Interest rate range	Collateral	December 31, 2013
Long-term bank borrowings				
Credit borrowings				
Hua Nan Bank	2013.01.15~2015.01.15 principal payable at maturity	1.28%	None	$ 1,500,000
Mega International Commercial Bank	2013.06.21~2016.06.21 principal payable at	1.32%	"	2,000,000
First Bank	2013.09.16~2016.09.16 principal payable at maturity	1.27%	"	1,500,000
Taiwan Cooperative Bank	2013.09.26~2015.09.26 principal payable at maturity	1.28%	"	1,300,000
Far Eastern International Bank	2013.04.22~2016.04.22 principal payable at maturity	1.35%	"	1,200,000
Bangkok Bank	2013.12.11~2015.12.11 principal payable at maturity	1.30%	None	200,000
HSBC Bank	2013.12.11~2015.12.11 principal payable at maturity	1.25%	"	1,500,000
Industrial Bank of Taiwan	2013.08.20~2016.08.20 principal payable at maturity	1.32% ~1.33%	"	500,000
Chinatrust Bank	2013.09.25~2015.09.25 principal payable at maturity	1.33%	"	100,000
Installment-repayment borrowings				
Secured bank borrowing				
Hua Nan Bank	2010.04.26~2.17.08.11 principal payable at maturity	SIBOR for 6 months +1.6%	Endorsement from Formosa Taffeta Co., Ltd.	380,870
				10,180,870
Less: current portion (Shown as other current liabilities)				(95,217)
				$ 10,085,653

The above long-term loans include a loan for $2,000,000, which requires the Company to maintain a current ratio of not lower than 100% within the contract period (2013/6/21~2016/6/21). The Company amended the contract in June, 2014, and the amended contract period was 2014/7/21~2016/7/21.The ratio calculation shall be based on the Company's financial statements. If the Company fails to meet the required ratio, it should improve no later than September of the following year. The Company should provide the audit report to banks no later than April of the following year.

(16) Pensions

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

(b)The amounts recognised in the balance sheet are determined as follows:

	December 31, 2014	December 31, 2013
Present value of funded obligations	$ 2,981,691	$ 2,907,488
Fair value of plan assets	(271,047)	(399,259)
	2,710,644	2,508,229
Unrecognised actuarial losses/(gains)	(194,670)	(62,634)
Net liability in the balance sheet	$ 2,515,974	$ 2,445,595

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

	Years ended December 31,	
	2014	2013
Present value of funded obligations		
At January 1	$ 2,907,488	$ 2,965,309
Current service cost	46,236	51,612
Interest expense	54,292	48,087
Actuarial profit and loss	135,404	(46,622)
Benefits paid	(163,108)	(111,466)
Obligation transferred from employees of affiliates	1,379	568
At December 31	$ 2,981,691	$ 2,907,488

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

	Years ended December 31,	
	2014	2013
Fair value of plan assets		
At January 1	$ 399,259	$ 472,870
Expected return on plan assets	5,917	7,122
Actuarial profit and loss	3,250	(1,408)
Employer contributions	19,987	18,801
Benefits paid	(157,366)	(98,126)
At December 31	$ 271,047	$ 399,259

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

	Years ended December 31,	
	2014	2013
Current service cost	$ 46,236	$ 51,612
Interest cost	54,292	48,087
Expected return on plan assets	(5,917)	(5,986)
Actuarial profit and loss	119	(773)
Current pension costs	$ 94,730	$ 92,940

Details of cost and expenses recognised in statements of comprehensive income are as follows:

	Years ended December 31,	
	2014	2013
Cost of sales	$ 71,009	$ 69,164
Selling expenses	15,219	15,548
General and administrative expenses	8,447	8,170
Research and development expenses	55	58
	$ 94,730	$ 92,940

(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, 2014 and 2013 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.

For the years ended December 31, 2014 and 2013, the Company and domestic subsidiaries's actual returns on plan assets was $9,167 and $5,480, respectively.

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

	Years ended December 31,	
	2014	2013
Discount rate	1.90% and 2.00%	1.65%
Future salary increases	1.00%	1.00%
Expected return on plan assets	1.65% and 2.00%	1.65%

Assumptions regarding future mortality experience are set based on Taiwan's published annuity table.

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

	Years ended December 31,		
	2014	2013	2012
Present value of defined benefit obligation	$ 2,981,691	$ 2,907,488	$ 2,965,309
Fair value of plan assets	(271,047)	(399,259)	(472,870)
Surplus/(deficit) in the plan	$ 2,710,644	$ 2,508,229	$ 2,492,439
Experience adjustments on plan liabilities	$ 155,816	$ 10,112	$ 104,629
Experience adjustments on plan assets	($ 3,250)	$ 1,408	$ 3,582

(i)Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2014 are $19,987.

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, Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd., and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. 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 the employees' monthly salaries and wages. The contribution percentage is between 10% and 20%. Other than the monthly contributions, the Group has no further obligations.

(c)The Company's subsidiaries, Formosa Taffeta Vietnam Co., Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd. have a defined contribution plan. Contributions of social security to an independent fund administered by the government in accordance with the pension regulations of local governments are based on a certain percentage of employees' salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d)Formosa Taffeta (Hong Kong) Co., Ltd. and Schoeller FTC (Hong Kong) Co., Ltd. have a defined contribution plan whereby contributions are made to the mandatory provident fund based on a certain percentage of the employees' salaries and wages.

(e) Formosa Taffeta (Cayman) Co., Ltd. does not have a pension plan, and is not required to have one under local regulation.

(f)The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2014 and 2013 were $135,858 and $127,354, respectively.

(17) Share capital

A.As of December 31, 2014, the Company's issued capital was $16,846,646, consisting of 1,684,665,000 shares of common stocks, with a par value of $10 per share.

B.For the years ended December 31, 2014 and 2013, changes in the number of treasury stocks are as follows (in thousands of shares):

	Year ended December 31, 2014				
Reason for reacquisition	Investee company	Beginning Shares	Additions	Disposal (Note)	Ending Shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	2,693	-	(80)	2,613

Note: The capital surplus amounting to $1,447 resulted from the subsidiary, Formosa Development Co., Ltd.'s disposal of 80,000 shares of the parent company.

		Year ended December 31, 2013			
Reason for reacquisition	Investee company	Beginning Shares	Additions	Disposal (Note)	Ending Shares
Long-term equity investment transferred to treasury stock for parent company's shares held by subsidiaries	Formosa Development Co., Ltd.	3,043	-	(350)	2,693

Note: The capital surplus amounting to $7,019 resulted from the subsidiary, Formosa Development Co., Ltd.'s disposal of 350,000 shares of the parent company.

C.The above mentioned treasury stocks were acquired by the subsidiary, Formosa Development Co., Ltd., for investment purposes.

D.As of December 31, 2014 and 2013, the market price per share was $31.04 and $36.05, respectively.

(18) 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.

(19) Retained earnings

	Years ended December 31,	
	2014	2013
At January 1	$ 3,535,764	$ 3,379,798
Profit for the year	3,518,374	2,129,053
Reversal of special reserve	291,026	444,944
Appropriation of earnings	(2,506,323)	(2,418,031)
At December 31	$ 4,838,841	$ 3,535,764

A.According to the R.O.C. Securities Exchange Law No. 41, a company should reserve the amount equal to any valuation or contra-account in the stockholders' equity in the fiscal year from the net income and prior unappropriated earnings as special reserve. If the valuation or contra-account in stockholders' equity belongs to prior periods, the same amount from prior period earnings should be considered special reserve and cannot be distributed. The special reserve includes: i) reserve for special purposes, ii) investment income recognised under the equity method, iii) net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section; and iv) other special reserves set out by legal provisions.

According to the R.O.C. Company Law and the Company's articles of incorporation, the annual net income should be used initially to cover any accumulated deficit; 10% of the annual net income should be set aside as legal reserve and special reserve. The remaining balance shall be distributed to shareholders according to their shareholding percentage. After deducting the above items, the remaining earnings, if any, shall be appropriated up to 1% as directors' and supervisors' compensation, and 0.1% to 1% as employees' bonus, which shall be recognized as current expense.

B. The Company's dividend policy is summarised below:

As the Company operates in a volatile business environment and is in the stable growth stage, the dividend policy includes cash dividends, stock dividends and capital increase by earnings recapitalization. At least 50% of the Company's distributable earnings shall be appropriated as dividends after deducting the legal reserve and special reserves. The Company would prefer distributing cash dividends. However, if significant investment measures are taken or the Company's financial structure needs to be improved, part of the dividends would be in the form of stock dividends but not to 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. The appropriations of 2013 and 2012 earnings had been resolved at the stockholders' meeting on June 21, 2014 and June 27, 2013, respectively. Details are summarized below:

	2013 earnings		2012 earnings	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 212,905		$ 240,976	
Special reserve	608,754		492,390	
Cash dividends	1,684,664	$ 1.00	1,684,665	$ 1.00
	$ 2,506,323		$ 2,418,031	

E. The estimated appropriations of 2013 and 2012 earnings proposed by the Board of Directors were the same as the actual appropriations approved by the shareholders. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange Corporation.

For 2014 and 2013, the estimated employees' bonus amounted to $8,080 and $2,315, respectively, while directors' and supervisors' remuneration amounted to $4,040 and $1,157, respectively. Employees' bonus and directors' and supervisors' remuneration are recognised as operating costs and operating expenses based on 1% and 0.5% of the net income, respectively, within the range stipulated in the Company's Articles of Incorporation in consideration of the legal reserve and other factors. While, if the estimated amounts are different from the amounts approved by the stockholders subsequently, the difference is recognised as gain or loss in the following year.

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. As of December 31, 2014 and 2013, unpaid stock dividends amounted to $11,395 and $20,200, respectively.

G. The appropriations of 2014 earnings had been resolved by the Board of Directors on March 20, 2015. Details are summarized below:

	2014	
	Amount (in thousands)	Dividends per share (in dollars)
Legal reserve	$ 351,837	
Special reserve	737,562	
Cash dividends	2,358,530	$ 1.40
	$ 3,447,929	

(20) <u>other equity items</u>

	Hedging reserve	Currency translation	Non-controlling interest	Total
January 1, 2014	$ 24,614,399	($ 95,294)	$ 2,962,693	$ 27,481,798
Change in unrealised gain or loss on available-for-sale financial assets				
— Parent company	(4,299,374)	-	-	(4,299,374)
— Subsidiaries	20,294	-	-	20,294
— Associates	(3,521)	-	-	(3,521)
— Non-controlling interest	-	-	10,605	10,605
Difference in long-term equity investment from financial statements translation differences of foreign operations				
— Parent company	-	463,981	-	463,981
— Associates	-	17,034	-	17,034
— Non-controlling interest	-	-	708	708
Net income of non-controlling interest	-	-	301,275	301,275
Cash dividends paid by consolidated subsidiaries	-	-	(60,703)	(60,703)
December 31, 2014	$ 20,331,798	$ 385,721	$ 3,214,578	$ 23,932,097

	Hedging reserve	Currency translation	Non-controlling interest	Total
January 1, 2013	$ 25,712,814	($ 245,890)	$ 3,065,985	$ 28,532,909
Change in unrealised gain or loss on available-for-sale financial assets				
— Parent company	(1,100,865)	-	-	(1,100,865)
— Subsidiaries	2,450	-	-	2,450
— Non-controlling interest	-	-	(3,080)	(3,080)
Difference in long-term equity investment from financial statements translation differences of foreign operations				
— Parent company	-	161,560	-	161,560
— Associates	-	(10,964)	-	(10,964)
— Non-controlling interest	-	-	3,360	3,360
Net income of non-controlling interest	-	-	47,923	47,923
Cash dividends paid by consolidated subsidiaries	-	-	(151,495)	(151,495)
December 31, 2013	$ 24,614,399	($ 95,294)	$ 2,962,693	$ 27,481,798

(21) Operating revenue

	Years ended December 31,	
	2014	2013
Sales revenue	$ 47,660,284	$ 47,078,797
Service revenue	530,828	383,095
	$ 48,191,112	$ 47,461,892

(22) Other income

	Years ended December 31,	
	2014	2013
Interest income from bank deposits	$ 20,777	$ 16,661
Dividend income	967,716	129,404
Other income	208,680	173,250
	$ 1,197,173	$ 319,315

(23) Other gains and losses

	Years ended December 31,	
	2014	2013
Forward foreign exchange contracts		
Net gain (loss) on financial assets at fair value through profit or loss	$ 3,610	($ 12,212)
Net (loss) gain on financial liabilities at fair value through profit or loss	(5,379)	449
Net currency exchange gain	205,245	169,946
(Loss) gain on disposal of property,plant and equipment	(38,231)	93,687
Bank charges	(41,741)	(45,699)
Gain on disposal of investments	36,476	93,104
Other losses	(100,097)	(40,229)
	$ 59,883	$ 259,046

(24) Expenses by nature

	Years ended December 31,	
	2014	2013
Employee benefit expense	$ 4,760,740	$ 4,433,273
Depreciation charges on property, plant and equipment	3,367,232	3,981,235
	$ 8,127,972	$ 8,414,508

(25) Employee benefit expense

	Years ended December 31,	
	2014	2013
Wages and salaries	$ 4,028,062	$ 3,748,694
Labour and health insurance fees	377,388	342,809
Pension costs	230,588	220,294
Other personnel expenses	124,702	121,476
	$ 4,760,740	$ 4,433,273

(26) Finance costs

	Years ended December 31,	
	2014	2013
Interest expense:		
Bank borrowings	$ 215,015	$ 221,157
Less: capitalisation of qualifying assets	(3,146)	(5,276)
Finance costs	$ 211,869	$ 215,881

(27) Income tax

A.Income tax expense

	Years ended December 31,	
	2014	2013
Current tax:		
Current tax on profits for the year	$ 154,676	$ 259,361
Adjustments in respect of prior years	19,462	8,704
Prepayment of taxes	1,047	71,419
Impact of change in tax rate	(1,687)	(130)
Total current tax	173,498	339,354
Deferred tax:		
Origination and reversal of temporary differences	178,792	143,602
Income tax expense	$ 352,290	$ 482,956

B.Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2014	2013
Tax calculated based on profit before tax and statutory tax rate	$ 852,285	$ 556,963
Tax effect of permanent differences	(264,537)	(46,987)
Tax effect of temporary differences	(391,489)	(80,129)
Tax effect of investment tax credits	(65,465)	(139,097)
Under provision of prior year’s income tax	19,462	8,704
Net change in deferred income tax assets and liabilities	178,792	143,602
Effect from net operating loss carryforward	-	(10,884)
Effect from Alternative Minimum Tax	-	2,177
Additional 10% tax on undistributed earnings	23,242	48,607
Tax expense	$ 352,290	$ 482,956

C.Amounts of deferred tax assets or liabilities as a result of temporary differences and investment tax credit are as follows:

	Year ended December 31, 2014				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Temporary differences:					
Provision for inventory obsolescence	$ 17,525	$ 2,168	$ -	$ -	$ 19,693
Allowance for bad debts in excess of tax-deductible limit	6,416	-	-	-	6,416
Estimated sales allowance	-	2,070	-	-	2,070
Accrued pension liabilities	408,980	11,730	-	-	420,710
Investment tax credits	206,177	(155,287)	-	-	50,890
Others	119	874	-	-	993
	639,217	(138,445)	-	-	500,772
Deferred tax liabilities:					
Temporary differences:					
Gain on valuation of financial assets	(230)	(560)	-	-	(790)
Unrealized foreign exchange gain	(3,890)	(7,868)	-	-	(11,758)
Investment income accounted for under equity method	(51,263)	(31,919)	-	-	(83,182)
	(55,383)	(40,347)	-	-	(95,730)
	$ 583,834	($ 178,792)	$ -	$ -	$ 405,042

	Year ended December 31, 2013				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Temporary differences:					
Provision for inventory obsolescence	$ 23,028	($ 5,503)	$ -	$ -	$ 17,525
Allowance for bad debts in excess of tax-deductible limit	6,416	-	-	-	6,416
Estimated sales allowance	3,918	(3,918)	-	-	-
Investment loss accounted for under equity method	24,952	(24,952)	-	-	-
Accrued pension liabilities	398,644	10,336	-	-	408,980
Impairment loss on idle assets	612	(612)	-	-	-
Investment tax credits	269,798	(63,621)	-	-	206,177
Others	68	51	-	-	119
	727,436	(88,219)	-	-	639,217
Deferred tax liabilities:					
Temporary differences:					
Gain on valuation of financial assets	-	(230)	-	-	(230)
Unrealized foreign exchange gain	-	(3,890)	-	-	(3,890)
Investment income accounted for under equity method	-	(51,263)	-	-	(51,263)
	-	(55,383)	-	-	(55,383)
	$ 727,436	($ 143,602)	$ -	$ -	$ 583,834

D.Details of investment tax credits and unrecognised deferred tax assets are as follows:

December 31, 2014			
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
Research and development expenditures	$ 61,335	$ 56,423	2017
Research and development expenditures	104,884	96,483	2016
Machinery and equipment	37,577	-	2015
	$ 203,796	$ 152,906	

December 31, 2013			
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
Research and development expenditures	$ 96,483	$ 96,483	2016
Machinery and equipment	37,577	-	2015
Machinery and equipment	168,600	-	2014
	$ 302,660	$ 96,483	

E.The income tax returns of the Company, Formosa Advanced Technologies Co., Ltd. and Formosa Development Co., Ltd. through 2012 have been assessed and approved by the Tax Authority.

F.Starting from January 1, 2007, the enterprise income tax of Formosa Taffeta (Zhong Shan) Co., Ltd., Formosa Taffeta (Changshu) Co., Ltd. and Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd. are based on 25% of income generated within and beyond Mainland China.

G.The income tax rate of the Company's subsidiary, Formosa Taffeta Vietnam Co., Ltd., was approved by Vietnam government to be 10% for the 15 years before the year of official establishment (December 1993). The Company was granted income tax exemption for 4 years from the first profit – making year and 50% income tax exemption for the next 4 years.

H.The income tax rate of Formosa Taffeta (Dong Nai) Co., Ltd. was approved by Vietnam government to be 15% for 12 years from the year of official establishment (October 2006); 25% after 12 years. The Company was granted income tax exemption for 3 years from the first profit – making year making profit and income tax reduction of 15% or 25% for the next 4 to 10 years.

I.In accordance with local tax regulations, the applicable income tax rate of the Company's subsidiary, Schoeller F.T.C. (Hong Kong) Co., Ltd., and indirectly owned subsidiary, Formosa Taffeta (Hong Kong) Co., Ltd., was 16.5%.

J.As of December 31, 2014, the unused loss carryforward of the Company's subsidiary, Formosa Taffeta (Changshu) Co., Ltd., was RMB12,990 thousand, which was not recognised as deferred income tax assets. The final creditable year is 2015.

K. Unappropriated retained earnings:

	December 31, 2014	December 31, 2013
Earnings generated in and after 1998	$ 4,838,841	$ 3,535,764

L. Shareholder's creditable tax:

	December 31, 2014	December 31, 2013
Creditable account balance	$ 222,230	$ 209,508

	For the years ended December 31,	
	2014 (Expected)	2013 (Actual)
Creditable tax ratio	4.59%	15.49%

(28) Earnings per share

A. Basic earnings per share

The calculation of basic earnings per share is profit or loss attributable to the common stockholders of the Company's parent company divided by the weighted average amount of outstanding common stocks for the year.

	Year ended December 31, 2014				
	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 4,171,939	$ 3,819,649	1,681,984	$ 2.48	$ 2.27
Profit attributable to the non-controlling interest	(597,144)	(301,275)		(0.35)	(0.18)
Profit attributable to the parent	$ 3,574,795	$ 3,518,374		$ 2.13	$ 2.09

	Year ended December 31, 2013				
	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 2,659,932	$ 2,176,976	1,681,634	$ 1.58	$ 1.29
Profit attributable to the non-controlling interest	(229,620)	(47,923)		(0.13)	(0.02)
Profit attributable to the parent	$ 2,430,312	$ 2,129,053		$ 1.45	$ 1.27

The following is the earnings per share assuming the shares of the Company held by its subsidiary, Formosa Development Co., Ltd., are not deemed as treasury shares:

	Year ended December 31, 2014				
	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 4,171,939	$ 3,819,649	1,684,665	$ 2.48	$ 2.27
Profit attributable to the non-controlling interest	(597,144)	(301,275)		(0.36)	(0.18)
Profit attributable to the parent	$ 3,574,795	$ 3,518,374		$ 2.12	$ 2.09

	Year ended December 31, 2013				
	Amount		Weighted-average outstanding common shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Net income	$ 2,659,932	$ 2,176,976	1,684,665	$ 1.58	$ 1.29
Profit attributable to the non-controlling interest	(229,620)	(47,923)		(0.14)	(0.03)
Profit attributable to the parent	$ 2,430,312	$ 2,129,053		$ 1.44	$ 1.26

B. Employees' bonuses could be distributed in the form of stock. It does not have significant effect on the financial statements and earnings per share for the years ended December 31, 2014 and 2013.

(29) Non-cash transaction

Investing activities with partial cash payments:

	Years ended December 31,	
	2014	2013
Purchase of property, plant and equipment	$ 1,966,815	$ 1,549,698
Add: opening balance of payable on equipment	16,096	46,271
Less: ending balance of payable on equipment	(89,748)	(16,096)
Cash paid during the year	$ 1,893,163	$ 1,579,873

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company is controlled by FORMOSA CHEMICAL & FIBRE CORPORATION (incorporated in R.O.C), which owns 37.4% of the Company's shares. The ultimate controlling party of the Company is FORMOSA CHEMICAL & FIBRE CORPORATION.

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31, 2014	Years ended December 31, 2013
Sales of goods:		
－Ultimate parent	$ 151,778	$ 152,579
－Associates	6,918,435	6,525,890
	$ 7,070,213	$ 6,678,469

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases of goods

	Years ended December 31, 2014	Years ended December 31, 2013
Purchases of goods:		
－Ultimate parent	$ 3,165,259	$ 3,327,640
－Associates	16,688,849	17,854,508
	$ 19,854,108	$ 21,182,148

Goods and services are purchased from associates and an entity controlled by key management personnel on normal commercial terms and conditions.

C. Receivables from related parties

	December 31, 2014	December 31, 2013
Notes and accounts receivable:		
－Ultimate parent	$ 6,770	$ 12,123
－Associates	1,317,903	1,031,255
	$ 1,324,673	$ 1,043,378

The receivables from related parties arise mainly from sale transactions. The receivables are due 45~120 days after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

D. Notes and accounts payable

		December 31, 2014		December 31, 2013
Notes and accounts payable:				
－Ultimate parent	$	605,773	$	543,587
－Associates		868,401		1,166,756
	$	1,474,174	$	1,710,343

The payables to related parties arise mainly from purchase transactions and are due 15~60 days after the date of purchase. The payables bear no interest.

E. Others

Formosa Taffeta (Dong Nai) Co., Ltd. was consigned by the related party, Formosa Industry, to provide management services to Nhon Trach 3 Industrial Zone. In accordance with the service consignment contract signed by Formosa Taffeta (Dong Nai) Co., Ltd. and Nhon Trach 3 Industrial Zone each year, Formosa Taffeta (Dong Nai) Co., Ltd. is engaged in managing land that is available for rent, meter reading and payment collection of water, electricity, steam and other public liquid sold to lessees in investment district, repairing and performing service on various public facilities of power plant. In accordance with the contract, Formosa Taffeta (Dong Nai) Co., Ltd.'s collectible service expense is as follows:

i. Land lease expense: 3% of Formosa Industry's land rent revenue
ii. Public liquid service expense: 3% of Formosa Industry's monthly sale of electricity to lessees in investment district
iii. Management expense: the full amount of management expense collected from lessees in investment district to Formosa Industry is to be paid to the Company and its subsidiaries

For the years ended December 31, 2014 and 2013, Formosa Taffeta (Dong Nai) Co., Ltd. has recognised service to lease in investment district of $26,948 and $24,170, respectively, for rendering the abovementioned consigned services. As of December 31, 2014 and 2013, the uncollected amount of $5,279 and $4,435, respectively, was recognised under 'other receivables'.

For the above land leasing, as of December 31, 2014 and 2013, the amount of management expense and utility expense which Formosa Taffeta (Dong Nai) Co., Ltd. is due to collect from the related party, Formosa Industry, was $0 and $707, respectively, and was recognised under 'other payables'.

(3) Key management compensation

	Years ended December 31,			
		2014		2013
Salaries and other short-term employee benefit	$	35,000	$	35,972

8. PLEDGED ASSETS

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

Item	Book Value December 31, 2014	Book Value December 31, 2013	Purpose
Property, plant and equipment	$ 140,762	$ 1,518,288	Security for long-term and short-term borrowings
Inventories (Held-to-maturity land)	40,287	41,227	Limited transfer for land tax reassessment and security for short-term borrowings
Other non-current assets	-	48,832	Performance bond
	$ 181,049	$ 1,608,347	

The reexamination case for corporate income tax returns from 2002 to 2004 of the Group's domestic subsidiary had been approved by the Tax Authority in June, 2014, and the assessed additional tax payable was fully paid for in 2014. Consequently, as of December 31, 2014, there was no asset restricted related to the tax reexamination.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2014, the significant commitments and contingent liabilities are the outstanding letters of credit for materials and equipment purchases with various companies listed as follows:

Currency	Amount
USD	$ 2,235
JPY	99,126
EUR	1,136

(2) Formosa Advanced Technologies Co., Ltd., is engaged in the processing of various integrated circuits packaging test and is responsible for custody for which the subsidiary needs to compensate if lost. As of December 31, 2014, the items in custody amount is as follows:

	Quantity (Unit: PC)	Market value (per piece)
A. Work in process		
LED	134,681,820	NTD 0.03~1.37
FBGA	9,336,121	USD 1.00~15.00
TSOP	44,941,533	USD 0.38~0.95
LED assembly	3,727,843	NTD 0.57~106.40
MICRO-SD	648,002	USD 1.62~9.23
Others	1,102,331	USD 1.96~12.30
	194,437,650	

	Quantity (Unit: PC)	Market value (per piece)
B. Finished goods		
LED	249,335,836	NTD 0.03~1.37
FBGA	84,826,699	USD 1.00~15.00
TSOP	21,967,605	USD 0.38~0.95
LED assembly	3,709,953	NTD 0.57~106.40
MICRO-SD	288,016	USD 1.62~9.23
Others	1,651	USD 1.96~12.30
Total	360,129,760	

	Quantity (Unit: PC)	Market value (per piece)
C. Work in process		
LED	3,449	NTD 1,410~5,620
Others	1,212	USD 1,500
	4,661	
D. Finished goods	5,964	NTD 1,410~5,620
LED	910	USD 1,500
Others	6,874	

	Quantity (Unit: piece)	Market value (per piece)
E. Work in process		
Module	59,939	USD 9.31~61.56

	Quantity (Unit: piece)	Market value (per piece)
F. Finished goods		
LED assembly	312	NTD 0.57~106.40

	Quantity (Unit: piece)	Market value (per piece)
G. Finished goods		
Module	50,753	USD 9.31~61.56

(3) Endorsements and guarantees

As of December 31, 2014, in order to assist subsidiaries to receive credit line, the Company has guaranteed the following amounts for subsidiaries:

Name of Company	2014
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	$ 2,532,000
FORMOSA TAFFETA VIETNAM CO., LTD.	2,057,250
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	2,985,490
FORMOSA TAFFETA (DONG NAI) CO., LTD.	4,161,975

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The resolution of the appropriations of the 2014 net income was approved in the Board of Directors' meeting on March 20, 2015. Details are provided in Note 6(19) G.

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 and short-term bills payable' 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.

At December 31 , 2014, the Group's strategy, which was unchanged from 2013, was to maintain the gearing ratio within to 20%. The gearing ratios at December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
Total borrowings	$ 14,401,895	$ 15,137,209
Less: cash and cash equivalents	(3,796,868)	(3,064,945)
Net debt	10,605,027	12,072,264
Total equity	52,434,244	54,210,085
Total capital	$ 63,039,271	$ 66,282,349
Gearing ratio	17%	18%

(2) Financial instruments

A.Fair value information of financial instruments

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, short-term loans, short-term notes and bills payable, notes payable (including related parties), accounts payable (including related parties), other payables and long-term loans (including current portion)) are approximate to their fair values. 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 management considers economic environment, competition and market value risk to achieve the best position of investment risk, maximize the investment of excess liquidity and control the overall market risk. The Group adopts the following strategies to control financial risk:

i. Foreign exchange risk：The Group engages in a number of foreign currency transactions. Therefore, the Group hedges risk naturally, and observes the exchange rates on a continuous and timely basis to mitigate foreign exchange risks.

ii. Interest rate risk：The expected domestic interest rate will not change drastically. However, the Group continues to observe the movement of interest rate to prevent incurring costs due to changes in interest rate.

iii. Cash flow risk：The Group sets up short and long term funding schedule on a regular and timely basis to ensure that all the obligations are met.

iv. Credit risk：The Group has a stringent credit policy in place. Transactions are conducted only with counterparties with good credit conditions. Appropriate measures are also undertaken where necessary to protect the Group's credit rights and thereby mitigate credit risk.

(b)The Board of Directors is responsible for supervising normal business operations, and authorizing management to perform daily operations under acceptable risk. The internal auditor shall review reports prepared by management on a timely basis to evaluate the effectiveness of management. If the internal auditor discovers any irregular circumstances, he or she should inform the Board of Directors immediately and perform necessary preventive measures.

C.Significant financial risks and degrees of financial risks

(a)Market risk

a. Foreign exchange risk

Some of the Group’s transactions are conducted in foreign currencies, which are subject to exchange rate fluctuation. The information on foreign currency denominated assets and liabilities are as follows:

	December 31, 2014		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 114,360	31.72	$ 3,627,499
USD:RMB	7,942	6.12	251,920
Non-monetary items			
VND:NTD	4,007,652,492	0.0015	6,011,479
HKD:NTD	263,970	4.09	1,079,637
RMB:NTD	530,535	5.18	2,748,171
USD:NTD	5,952	31.72	188,797
Financial liabilities			
Monetary items			
USD:NTD	7,476	31.72	237,139
USD:RMB	45,869	6.12	1,454,965

	December 31, 2013		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 106,507	29.81	$ 3,174,974
JPY:NTD	508,810	0.28	142,469
USD:RMB	19,897	6.10	595,920
Non-monetary items			
VND:NTD	7,110,709,641	0.0014	10,090,097
HKD:NTD	144,927	3.84	556,519
RMB:NTD	438,689	4.92	2,157,911
Financial liabilities			
Monetary items			
USD:RMB	72,593	6.10	2,174,175

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

	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%	$ 36,275	$ -
USD:RMB	1%	2,519	-
Non-monetary items			
VND:NTD	1%	-	60,115
HKD:NTD	1%	-	10,796
RMB:NTD	1%	-	27,482
USD:NTD	1%	-	1,888
Financial liabilities			
Monetary items			
USD:NTD	1%	2,371	-
USD:RMB	1%	14,550	-

	Year ended December 31, 2013		
	Sensitivity analysis		
Financial assets	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Monetary items			
USD:NTD	1%	$ 31,748	$ -
JPY:NTD	1%	1,425	-
USD:RMB	1%	5,959	-
Non-monetary items			
VND:NTD	1%	-	100,901
HKD:NTD	1%	-	5,565
RMB:NTD	1%	-	21,579
Financial liabilities			
Monetary items			
USD:NTD	1%	21,742	-

b. Price risk

i. 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.

ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks and beneficiary certificates. 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, post-tax profit for the years ended December 31, 2014 and 2013 would have increased/decreased by $5,412 and $0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $280,319 and $319,092, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

c. Interest rate risk

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

ii. At December 31, 2014 and 2013, if interest rates on NTD-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2014 and 2013 would have been $73,870 and $85,750 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

iii. At December 31, 2014 and 2013, if interest rates on USD-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2014 and 2013 would have been $2,392 and $2,285 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b)Credit risk

a.The equity financial instruments have active markets and are transacted through a stock exchange market or over-the counter market, or with financial institutions which are all in good credit standing. Therefore, the credit risk is low. Besides, the Company's policy requires that transactions for financial assets carried at cost be conducted with counterparties that meet the specified credit rating reqirement; thus, the possibility that credit risk will arise is remote.

b.The Company's policy requires that wholesale sales of products are made to clients with an appropriate credit review procedures. Therefore, the maximum loss arising from credit risk is equal to the book value of accounts receivable.

c.Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to affiliated companies of which the Company owns directly or indirectly more than 50% ownership. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees.

d. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

e. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6.

(c)Liquidity risk

a.The Group's investments in equity financial instruments which have active markets are expected to be sold easily and quickly in the market at the price close to fair value. The Group's investments in equity financial instruments without active markets are exposed to liquidity risk.

b.Due to well-managed operations, the Company has an excellent credit in financial institutions and the money market, and has adequate working capital to meet commitments associated with receivables and payables. Therefore, no liquidity risk is expected to arise.

c.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.

December 31, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	$ 2,761,686	$ -	$ -
Short-term bills payable	2,350,000	-	-
Notes payable (including related parties)	493,727	-	-
Accounts payable (including related parties)	2,355,900	-	-
Other payables	2,047,240	-	-
Long-term borrowings (including current portion)	187,982	9,039,479	247,106
Financial gurarance contracts	2,805,472	-	-

December 31, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	$ 3,706,477	$ -	$ -
Short-term bills payable	1,250,000	-	-
Notes payable (including related parties)	390,719	-	-
Accounts payable (including related parties)	2,524,102	-	-
Other payables	1,309,490	-	-
Long-term borrowings (including current portion)	224,761	4,821,948	5,458,647
Financial guarantee contracts	3,689,624	-	-

(d)As of December 31, 2014 and 2013, the derivative financial liabilities all mature within 1 year. 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, 2014 and 2013:

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 certificates				
Available-for-sale financial assets	-	652,105	-	652,105
Equity securities				
	27,634,564	397,300	-	28,031,864
	$ 27,634,564	$ 1,051,799	$ -	$ 28,686,363
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 5,843	$ -	$ 5,843

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	31,543,452	365,700	-	31,909,152
	$ 31,543,452	$ 367,052	$ -	$ 31,910,504
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 704	$ -	$ 704

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 classified as available-for-sale financial assets.

C. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize 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. As one or more of significant inputs to fair value an instrument are not observable, 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 forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

(c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

10. 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. Furthermore, the inter-company transactions were eliminated when preparing financial statements of investees which were audited by other independent accountants. The following disclosures are for reference only.

A. Loans to others: None.

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 8)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2014 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2013 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	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	
0	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	
0	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	
0	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: Represents limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company’s “Procedures for Provision of Endorsements and Guarantees”, and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

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

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. All other events involving endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

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

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

Note 8: In accordance with the Company’s procedures of endorsements and guarantees, limit on the Company’s total guarantee amount is 1.3 times of the Company's net assets, and limit on endorsement/guarantee to a single party is 50% of the aforementioned total amount.

C.Holding of marketable securities at the end of the period:

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2014 Number of shares	Book value	Ownership (%)	Fair value	Footnote
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICAL & FIBRE CORPORATION	Parent company	Available-for-sale financial assets - current	11,219,610	$ 750,592	0.19	$ 750,592	
FORMOSA TAFFETA CO., LTD.	PACIFIC ELECTRIC WIRE AND CABLE CO.,LTD	-	Available-for-sale financial assets - current	32	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	The Company's Chairman is the issuer's managing director and legal representative	Available-for-sale financial assets - current	640	46	-	46	
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	The Company's Chairman is the issuer's managing director and legal representative	Available-for-sale financial assets - current	482,194	31,584	0.01	31,584	
FORMOSA TAFFETA CO., LTD.	INOTERA MEMORIES INC.	-	Available-for-sale financial assets - current	2,712,345	136,160	0.04	136,160	
FORMOSA TAFFETA CO., LTD.	ASIA PACIFIC INVESTMENT CO. (APIC)	The Company's Chairman is the issuer's director and legal representative	Available-for-sale financial assets - current	10,000,000	397,300	2.35	397,300	
FORMOSA TAFFETA CO., LTD.	NAN YA TECHNOLOGY CORPORATION	The Company's Chairman is the issuer's director	Available-for-sale financial assets - non-current	13,950,464	1,129,988	0.58	1,129,988	
FORMOSA TAFFETA CO., LTD.	FORMOSA PETROCHEMICAL CORP. (FPCC)	Substantial related party	Available-for-sale financial assets - non-current	365,267,576	25,093,882	3.83	25,093,882	
FORMOSA TAFFETA CO., LTD.	SYNTRONIX CORPORATION	-	Financial assets measured at cost – non-current	174,441	3,236	0.45	-	
FORMOSA TAFFETA CO., LTD.	TOA RESIN CORPORATION LIMITED	The Company is the issuer's corporate director	Financial assets measured at cost – non-current	14,400	3,000	10.00	-	
FORMOSA TAFFETA CO., LTD.	SHIN YUN GAS CO., LTD.	-	Financial assets measured at cost – non-current	507,237	3,099	1.20	-	
FORMOSA TAFFETA CO., LTD.	WK TECHNOLOGY FUND Ⅳ LIMITED	-	Financial assets measured at cost – non-current	6,690,134	47,897	3.17	-	
FORMOSA TAFFETA CO., LTD.	NAN YA PHOTONICS INC.	The Company's Chairman and the issuer's Chairman are in second degree of kinship	Financial assets measured at cost – non-current	19,066,860	196,389	9.53	-	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2014				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	Substantial related party	Financial assets measured at cost – non-current	171,008,736	5,089,575	4.96	5,089,575	
FORMOSA DEVELOPMENT CO., LTD.	FORMOSA TAFFETA CO., LTD.	The Company is the parent of FORMOSA DEVELOPMENT CO., LTD.	Available-for-sale financial assets - non-current	2,613,228	82,055	0.16	82,055	
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	Association of R.O.C.	-	Financial assets measured at cost – non-current	469,500	21,487	0.11	11,996	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA PLASTICS CORPORATION	The Company's Chairman is the issuer's director	Available-for-sale financial assets - current	-	156	0.11	156	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	The Company's Chairman is the issuer's director	Available-for-sale financial assets - current	388	28	-	28	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PLASTICS CORPORATION	The Company's Chairman is the issuer's director	Available-for-sale financial assets - current	312,512	20,469	-	20,469	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	FORMOSA CHEMICAL & FIBRE CORPORATION	Parent company	Available-for-sale financial assets - current	5,582,000	373,436	0.10	373,436	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	27,586,096	401,096	-	401,096	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2014				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	20,396,748	251,009	-	251,009	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	The Company's Chairman is the issuer's director	Available-for-sale financial assets - non-current	1,214,557	98,379	0.05	98,379	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA PHOTONICS INC.	The Company's Chairman and the issuer's Chairman are in second degree of kinship	Financial assets measured at cost – non-current	9,533,430	98,194	4.77	98,194	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	SYNTRONIX CORPORATION	-	Financial assets measured at cost – non-current	59,945	1,181	0.16	1,181	

Note: Including valuation adjustment of financial assets.

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

					Balance as at January 1, 2014		Addition		Disposal				Balance as at December 31, 2014	
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Book value	Number of shares	Amount
FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH STEEL CORPORATION	Investments accounted for under equity method	FORMOSA HA TINH (CAYMAN) LIMITED	Substantial related party	-	$ 5,123,419	-	$ -	-	$ 5,089,575	$ 5,056,754	$ 32,821	-	$ -
FORMOSA TAFFETA CO., LTD.	FORMOSA HA TINH (CAYMAN) LIMITED	Financial assets measured at cost – non-current	FORMOSA HA TINH (CAYMAN) LIMITED	Substantial related party	-	-	171,009	5,089,575	-	-	-	-	171,009	5,089,575
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	JIH SUN MONEY MARKET FUND	Financial assets held for trading - current	-	-	-	-	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: Balance as at January 1, 2014 plus addition amount do not agree with book value of cost which is caused by gains (loss) recognised using equity method, financial statements translation differences of foreign operations and adjustments of capital surplus.

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

F.Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G.Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more (disclosing from revenue aspect, thus, corresponding transactions are not disclosed):

			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 Purchaser/seller Counterparty receivable (payable)	Footnote
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Investee company accounted for under the equity method	Sales	($ 674,340)	(2.05)	Pay by mail transfer 60 days after delivery	$ -	-	Accounts receivable $ 128,071 Other receivables 216	4.77 -	
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	Subsidiary	Sales	(601,334)	(1.83)	120 days after delivery	-	-	Accounts receivable 38,117	1.42	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Sub-subsidiary	Sales	(105,206)	(0.32)	120 days after delivery	-	-	Accounts receivable 16,664	0.62	
FORMOSA TAFFETA CO., LTD.	YUGEN CO.,LTD	The Company's managing director and the counterparty's person in charge are in first degree of kinship	Sales	(351,249)	(1.07)	120 days after delivery	-	-	-	-	
FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICAL & FIBRE CORPORATION	Parent company	Sales	(151,778)	(0.46)	Pay by mail transfer 60 days after delivery	–	–	Accounts receivable 6,770	0.25	

			Transaction				Differences in transaction terms compared to third party		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 Purchaser/seller Counterparty receivable (payable)	Footnote
FORMOSA TAFFETA CO., LTD.	NAN YA PLASTICS CORPORATION	The Company's Chairman is the counterparty's managing director	Purchases	$ 954,748	3.79	Pay at 15th of the following month by mail transfer	–	–	Accounts payable ($ 82,115)	(5.05)	
FORMOSA TAFFETA CO., LTD.	FORMOSA PLASTICS CORPORATION	The Company's Chairman is the counterparty's managing director and legal representative	Purchases	393,679	1.56	Pay at 15th of the following month by mail transfer	–	–	Accounts payable (31,1540)	(1.93)	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	The Company's Chairman is the counterparty's director	Sales	(5,463,106)	(59.35)	60 days after monthly billings	–	–	Accounts receivable 1,080,359	56.55	
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	The Company's Chairman is the counterparty's director	Purchases	239,861	6.65	60 days after monthly billings	–	–	Accounts payable (19,540)	(4.09)	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA TAFFETA (CHANGSHU) CO., LTD.	Affiliated company	Sales	($ 270,016)	(14.33)	60 days after monthly billings	–	–	Accounts receivable 92,108	28.75	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	FORMOSA INDUSTRIES CORPORATION	Affiliated company	Purchases	140,592	12.07	60 days after monthly billings	–	–	Accounts payable (12,787)	(9.59)	

			Transaction				Differences in transaction terms compared to third party		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 Purchaser/seller Counterparty receivable	Footnote
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA INDUSTRIES CORPORATION	The counterparty is the parent company's investee accounted for under the equity method	Purchases	$ 303,453	(23.75)	60 days after monthly billings	–	–	Accounts payable ($ 42,491)	(36.66)	
FORMOSA TAFFETA VIETNAM CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(137,408)	(7.80)	60 days after monthly billings	–	–	Accounts receivable 48,329	25.00	
FORMOSA TAFFETA (DONG NAI) CO., LTD.	FORMOSA TAFFETA VIETNAM CO., LTD.	Affiliated company	Sales	(212,695)	(8.33)	60 days after monthly billings	–	–	Accounts receivable 32,460	5.77	
FORMOSA TAFFETA (DONG NAI) CO., LTD.	FORMOSA TAFFETA CO., LTD.	Parent company	Sales	(256,127)	(10.03)	60 days after monthly billings	–	–	Accounts receivable $ 35,850	6.37	
FORMOSA TAFFETA (DONG NAI) CO., LTD.	FORMOSA INDUSTRIES CORPORATION	The counterparty is the parent company's investee accounted for under the equity method	Purchases	615,001	26.46	60 days after monthly billings	–	–	Accounts payable (38,227)	(22.85)	
FORMOSA TAFFETA (DONG NAI) CO., LTD.	FORMOSA CHEMICAL & FIBRE CORPORATION	Ultimate parent company	Purchases	192,454	8.28	60 days after monthly billings	–	–	Accounts payable (19,009)	(11.36)	

H.Receivables from related parties reaching $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		
FORMOSA TAFFETA CO., LTD.	QUANG VIET ENTERPRISE CO., LTD.	Investee company accounted for under the equity method	Notes receivable $ 216 Accounts receivable 128,071	6.04	$ -	-	$ 107,198	$ -
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NAN YA TECHNOLOGY CORPORATION	The Company's Chairman is the counterparty's director	1,080,359	5.69	-	-	472,509	-

I.Derivative financial instruments undertaken during the year ended December 31, 2014: Please refer to Notes 6(2) and (13).

J.Significant inter-company transactions during the year ended December 31, 2014:

Individual transactions that did not exceed $500 million are not disclosed.

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	FORMOSA TAFFETA CO., LTD.	FORMOSA CHEMICAL & FIBRE CORPORATION	1	Purchases	$ 2,918,819	Draw promissory notes due in 2 months after inspection	6.06%
0	FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (HONG KONG) CO., LTD.	2	Sales	601,334	120 days after delivery	1.25%

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.

K.Information on investees (not including investees in Mainland China)

				Initial investment amount		Shares held as at December 31, 2014					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2014	Balance as at January 1, 2014	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognized by the Company for the year ended December 31, 2014	Footnote
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	
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, and 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.	QUANG VIET ENTERPRISE 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	

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) recognized by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at January 1, 2014	Number of shares	Ownership	Book value			
FORMOSA TAFFETA CO., LTD.	SCHOELLER FTC (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)	
FORMOSA TAFFETA CO., LTD.	FORMOSA INDUSTRIES CORPORATION	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 CORPORATION	Vietnam	Steelmaking	-	5,150,283	-	-	-	(2,508,690)	(68,754)	
FORMOSA TAFFETA CO., LTD.	FORMOSA TAFFETA (CAYMAN) LIMITED	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: The Company has signed an agreement of transferring capital contribution with FORMOSA HA TINH (CAYMAN) LIMITED in September 2014, and all capital was transferred to FORMOSA HA TINH (CAYMAN) LIMITED after reorganization. However, the Company has lost its director seat at FORMOSA HA TINH STEEL CORPORATION, and reclassified the original investment to 'financial assets at cost – non-current' in September 2014.

L.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	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	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
					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)	878,214	456,525	-	1,334,739	1,337	100	1,337	1,005,438	-

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

Note 2: The Company's paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014 and December 31, 2014 are US$46,400,000 (remitted out US$46,388,800 and equipment amounted to US$11,200).

Note 3: The Company’s paid-in capital and accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014 and December 31, 2014 are US$570,000.

Note 4: The investee increased its capital in 2014. The original currency of accumulated remittance from Taiwan was US$27,000,000 as of January 1, 2014. Amount remitted from Taiwan to Mainland China for the year ended December 31, 2014 was US$15,000,000. Thus, the original currency of paid-in capital and accumulated amount of remittance from Taiwan as of December 31, 2014 were US$42,000,000.

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)(Note)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (consolidated net assets x 60%)
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	$ 1,402,085	$ 1,471,715	$ 31,460,546
XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD.	15,273	18,079	31,460,546
FORMOSA TAFFETA (CHANGSHU) CO., LTD.	1,334,739	1,332,156	31,460,546

Note: (1) The investment on FORMOSA TAFFETA (ZHONG SHAN) CO., LTD. approved by the Investment Commission of MOEA is US$46,400,000.
(2) The investment on XIAMEN XIANGYU FORMOSA IMPORT & EXPORT TRADING CO., LTD. approved by the Investment Commission of MOEA is US$570,000.
(3)The investment on FORMOSA TAFFETA (CHANGSHU) CO., LTD. approved by the Investment Commission of MOEA is US$42,000,000.
(4)The original currency of paid-in capital is translated at USD:TWD = 1:31.718.

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

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2014	%	Balance at December 31, 2014	Purpose	Maximum balance during the year ended December 31, 2014	Balance at December 31, 2014	Interest rate	Interest during the year ended December 31, 2014	
FORMOSA TAFFETA (ZHONG SHAN) CO., LTD.	$ 40,038	0.12	$ -	-	$ 4,980	0.19	$ 2,532,000	For short-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

A. The Company and its subsidiaries operate and set policies from product and service perspective; thus, management also identifies reportable segments using the same method.

B. The Company and its subsidiaries have four reportable segments: First business group, Second business group consisting Cord fabric department, Gasoline department and FORMOSA ADVANCED TECHNOLOGIES CO., LTD.department(collectively referred herein as the “FATC”). Details are as follows:

(a)First business group: Mainly produces and sells woven, dyeing and finishing products and manages plants of overseas subsidiaries – FORMOSA TAFFETA (ZHONG SHAN) CO., LTD., FORMOSA TAFFETA VIETNAM CO., LTD. and FORMOSA TAFFETA (HONG KONG) CO., LTD.

(b)Cord fabric department: Mainly produces and provides tire cords.

(c) Gasoline department: Mainly operates gasoline stations, sells gasoline and provides car washing.

(d)FATCdepartment: The subsidiary - FORMOSA ADVANCED TECHNOLOGIES CO., LTD. mainly provides installation and testing of various integrated circuit and engages in processing and research and development of modules.

(2) Measurement of segment information

The measurement based on each operating segment’s profit before tax excludes the effects of non-recurring expenditure, i.e. from the unrealised gain or loss on financial instruments. Furthermore, interest income and expense are not allocated to operating segments

(3) Information about segment profit or loss and assets

	Year ended December 31, 2014						
		Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
Segment revenue							
Revenue from external customers	$ 14,315,802	$ 8,376,381	$ 14,319,971	$ 1,974,574	$ 9,204,384	$ -	$ 48,191,112
Inter-segment revenue	1,969,095	-	-	-	-	(1,969,095)	-
Total segment revenue	$ 16,284,897	$ 8,376,381	$ 14,319,971	$ 1,974,574	$ 9,204,384	($ 1,969,095)	$ 48,191,112
Segment income (loss)	$ 3,243,252	$ 280,019	$ 125,771	$ 207,869	$ 1,071,404	($ 756,376)	$ 4,171,939
Total segment assets	$ 13,402,107	$ 5,677,149	$ 1,394,035	$ 4,042,076	$ 7,201,787	($ 348,383)	$ 31,368,771
Identifiable assets							2,909,436
Long-term investments							
General assets							40,611,344
Total assets							$ 74,889,551

	Year ended December 31, 2013						
		Second business group					
	First business group	Cord fabric department	Gasoline department	Other segment	FATC department	Adjustment and write-off	Total
Segment revenue							
Revenue from external customers	$ 14,349,430	$ 7,452,996	$ 15,216,996	$ 1,775,315	$ 8,667,155	$ -	$ 47,461,892
Inter-segment revenue	1,132,271	-	-	-	-	(1,132,271)	-
Total segment revenue	$ 15,481,701	$ 7,452,996	$ 15,216,996	$ 1,775,315	$ 8,667,155	($ 1,132,271)	$ 47,461,892
Segment income (loss)	$ 2,181,918	$ 306,156	$ 175,263	$ 199,948	$ 201,030	($ 404,383)	$ 2,659,932
Total segment assets	$ 14,251,127	$ 3,974,179	$ 1,492,593	$ 3,914,466	$ 7,824,821	($ 175,170)	$ 31,282,016
Identifiable assets							
Long-term investments							7,551,755
General assets							37,784,609
Total assets							$ 76,618,380

(4) Reconciliation for segment income (loss)

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

The total consolidated profit (loss) after adjustment and reconciliation information for profit after tax of reportable segments are provided in Note 14(3).

(5) Information on product and service

	Year ended December 31, 2014	Year ended December 31, 2013
Sales revenue	$ 47,660,284	$ 47,078,797
Service revenue	530,828	383,095
	$ 48,191,112	$ 47,461,892

(6) Geographical information

Year ended December 31, 2014	Internal	Asia	Adjustment and write-off	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	$ 853,258	$ 1,115,837	($ 1,969,095)	$ -
Revenue from parent company and consolidated subsidiaries	42,445,920	5,745,192	-	48,191,112
Total revenue	$ 43,299,178	$ 6,861,029	($ 1,969,095)	$ 48,191,112
Segment income (loss)	$ 4,660,203	$ 268,112	($ 756,376)	$ 4,171,939
Identifiable assets	$ 24,386,661	$ 7,330,494	($ 348,383)	$ 31,368,772
Long-term investment				2,909,436
General assets				40,611,343
Total assets				$ 74,889,551

	Year ended December 31, 2013			
	Internal	Asia	Adjustment and write-off	Consolidated
Revenue from customers other than parent company and consolidated subsidiaries	$ 41,416,978	$ 6,044,914	$ -	$ 47,461,892
Revenue from parent company and consolidated subsidiaries	412,731	719,540	(1,132,271)	-
Total revenue	$ 41,829,709	$ 6,764,454	($ 1,132,271)	$ 47,461,892
Segment income (loss)	$ 2,637,463	$ 426,852	($ 404,383)	$ 2,659,932
Identifiable assets	$ 23,308,588	$ 8,145,598	($ 175,170)	$ 31,279,016
Long-term investment				7,551,755
General assets				37,787,609
Total assets				$ 76,618,380

(7) Major customer information

Details of customers whose sales revenue comprise 10% or above of sales revenue in the Group's consolidated statement of income for the years ended December 31, 2014 and 2013 are as follows:

	Years ended December 31,			
	2014		2013	
	Revenue	Segment	Revenue	Segment
NAN YA TECHNOLOGY CORPORATION	$ 5,463,106	FATCdepartment	$ 5,163,899	FATCdepartment