

Stock Code: 1314

Website:

1. <http://mops.twse.com.tw>
(MOPS)

2. <http://www.cpdcc.com.tw>
(Website of China Petrochemical
Development Corporation)

CHINA PETROCHEMICAL
DEVELOPMENT CORPORATION

Annual Report 2014

Published on May 29, 2015

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

I. Company spokesman and deputy spokesman:

Spokesman

Name: Janson Yu

Job Title: Vice President

Tel. No.: (02)8787-8187, Ext. 8370

e-mail:cpdc@cpdc.com.tw

Deputy spokesman

Huang Tien-Hsun

Assistant Vice President

(02)8787-8187, Ext. 1194

e-mail:cpdc@cpdc.com.tw

II. Company and Plant address and Tel. Nos:

Name	Location	Tel. No.
Headquarters	11F, No. 12 Tunghsing Road, Songshan District, Taipei City	(02)8787-8187
Tou-Fen Plant	No. 217 Sec.2 Tzyh-Chyang Road, Tou-Fen township, Miaoli County,	(037)623-381
Da-Sheh Plant	No. 1 Chinchian Road, Da-Sheh district, Kaohsiung City	(07)351-3521
Hsiaokang Plant	No. 34 Chunglin Road, Hsiaokang District, Kaohsiung City	(07)871-1161

III. Shares Registrar:

Name: Shareholder Services Office of CPDC

Address: 3F, No. 12, Tunghsing Road, Taipei City

Tel. No.: (02)8978-2589

Website: <http://www.cpdc.com.tw>

IV. External Auditors in the most recent year

CPA Name: Melody Chen & Jeff Chen

Firm Name: KPMG Certified Public Accountants

Address: 68F, No. 7, Sinyi Road, Sec. 5, Taipei City

Tel. No.: (02)8101-6666

Website: <http://www.kpmg.com.tw>

V. Offshore secondary exchange and disclosure information available at:

Singapore Exchange

www.sgx.com

VI. Company Website: <http://www.cpdc.com.tw>

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One. Message to Shareholders

To All Shareholders:

The Company reported 2014 consolidated revenues of NT\$33.249 billion, net operating loss of NT\$2.175 billion and net profit after tax of NT\$0.295 billion. Below is a detailed breakdown of the Company's 2014 performance:

1. Sales of Major Products

A total of 204,000 tons of Acrylonitrile (AN) and related byproducts were produced in 2014, which were 8,000 tons or 4% more than 196,000 tons in 2013. Sales volume in tons grew 10,000 tons or 5% from 198,000 tons in 2013 to 208,000 tons in 2014. The production of Caprolactam (CPL) and related byproducts decreased by 48,000 tons or 16% from 299,000 tons in 2013 to 251,000 tons in 2014. Sales volume in tons decreased by 33,000 tons or 12% from 279,000 tons in 2013 to 246,000 tons in 2014. The adjustments of production and sales were made primarily in response to the newly added production capacities in Asia, and the changing industry landscape and sales plan.

2. Operating Revenue and Expense:

(1) Operating revenues of NT\$33.249 billion, decreased 6% or NT\$2.09 billion from NT\$35.339 billion in 2013, specifically:

- 1) The revenues from AN and GAC and related byproducts were NT\$13.073 billion, increasing 12% or NT\$1.386 billion from NT\$11.687 billion in 2013. The increase was mainly driven by a 5% increase of sale volume, and a 6% increase in unit price from 2013 for AN products.
- 2) The revenues from CPL and byproduct were NT\$17.381 billion, decreasing 15% or NT\$3.059 billion from NT\$20.44 billion in 2013. The decrease was mainly resulted from a 10% decrease sale volume, and a 7% drop in unit price from 2013 for CPL. Sales volume of nylon chips, impacted by market conditions, was reduced by 6,000 tons from the previous year, which also accounted for the revenue decline.

- 3) The revenues from other departments (including subsidiaries) were NT\$2.796 billion, down 13% or NT\$0.417 billion from NT\$3.212 billion in 2013. The sale volume of ammonia sulfate (AS) fell from last year primarily attributed to the decline.
- (2) Net operating loss was NT\$2.175 billion, up 21% or NT\$0.378 billion from a net operating loss of NT\$1.797 billion in 2013. The deteriorating operating profits in 2014 were due to increased capacity for CPL production in China, which led to significant oversupply in CPL market. Since China's economic growth had slowed down, the product price dropped and resulted in unfavorable variances on profit by NT\$990 million compared to 2013. For AN products, since there were no additional capacity gain in 2014, downstream products included ABS and acrylic fabric acquired stable demand, thus pushed up the price and produced favorable variance on profit up by NT\$720 million. Under the operation team's efforts, the latest-built cyclohexanone facilities had begun production in Q4 2014. The facilities could lower production cost of CPL effectively, and overall overhead had decreased by NT\$100 million compared to 2013, but operating loss gained due to the market's condition and economic slowdown.
- (3) Non-operating profits was NT\$2.527 billion, reduced by 64% or NT\$ 4.589 billion. The main differences were related to valuation write down of investment property, which decreased NT\$ 1.538 billion; and from the factory in Anshun, Tainan, recognized construction expense in second stage for and equipment assets loss in valuation for NT\$1.215 billion. The non-operating gain and loss this year included:
- A. NT\$561 million from proportionate interests in subsidiaries and affiliates recognized under the equity method.
 - B. NT\$5.173 billion from gain in investment properties.
 - C. NT\$1.356 billion expenses from second stage construction expense in Anshun factory.
 - D. NT\$1.215 billion loss in equipment assets write down.
 - E. Assessment for financial debts in fair value showed loss for NT\$507 million.
 - F. Financial costs and other losses for NT\$129 million.
- (4) 2014 net profit before tax was NT\$353 million, decreasing NT\$4.967 billion or 93% from net profit of NT\$5.320 billion in 2013.

(5) 2014 net income after tax was NT\$295 million or NT\$0.13 earnings per share.

Comparing to net income after tax of NT\$5.245 billion or NT\$2.27 earnings per share in 2013, the net income after tax decreased NT\$4.951 billion or 94%.

3. Financial Performance:

(1) Financial structure overview: At the end of 2014, total consolidated assets amounted to NT\$77.428 billion; total liabilities was NT\$13.687 billion; and shareholder equity was NT\$53.419 billion.

(2) Key financial ratios: Current Ratio stood at 321%, Quick Ratio was 261%, and Debt Ratio (Debt to Total Assets) was 31%.

(3) Cash and Cash Equivalents: Cash and Cash Equivalents inflow from operating, investing and financing activities was NT\$2.226 billion during 2014. The year-end balance was NT\$10.412 billion.

4. Key Management and R&D:

2014 key management initiatives include the following items: For production, the project of building a cyclohexanone production facility has been achieved in 2014, providing raw materials for manufacturing CPL. In addition to enhancing self-sufficiency and procurement flexibility for raw materials, the facility can effectively reduce production cost and adjust the production output with optimal manufacturing process for both CPL and AN in response to market demand. We also continued to promote electronic systems and automation to further reduce manufacturing costs and improve our productivity within the production plants. For labor safety and environmental protection, we set up an internal audit team and security group to patrol the manufacturing plants and monitor labor safety, in an effort to achieve a safer working environment. For management, ERP system optimization, office automation and HR inventory systems were implemented to strengthen management. We also continued the construction of integrated information infrastructure incorporating technology R&D, market intelligence and engineering capability to support management decision-making and to respond to challenges brought by environmental change. As for financial management and capital planning, we intend to raise more capital from the capital markets or loan borrowing from Banks to support the needs of business expansion.

For the R&D segment, we classify into three main categories, enhancing production processes, researching related products and developing new products. The main purpose is to reduce manufacturing costs while introducing more energy saving and emission reducing (or “green”) production processes continued to be our priority. In addition to technology innovation for our current manufacturing process, CPDC has also set up a New Product Development team responsible for the development of downstream derivatives products, functional polymer products and specialty chemicals, and investigating business opportunities and launching marketing campaigns for new products. With several new products and pilot plants continuing to come on stream, this new team will utilize these facilities to develop and test our own technology to underscore our leadership in the petrochemical industry. In 2013, CPDC received approval for 27 new patents. An additional 2 applications were submitted and are currently in the approval process. In aggregate, CPDC has registered 128 invention patents over the years. Our intellectual property management system was the first system among our peers to be accredited by the Taiwan Intellectual Property Management System (TIPS), a system sponsored by the Industrial Development Bureau, Ministry of Economic Affairs.

5. Future Prospects:

Recently, Taiwan society has increased its awareness of environmental concepts, the government also emphasized developing value-added services and carbon reduction industrial policies. In 2014, a gas explosion incident in Kaohsiung city also resulted in the petrochemical industry facing resistance from the public in expanding production of commodity petrochemical products. In the future, the products of our company will encounter challenges including higher raw material prices, higher cost of energy, tariff barriers, and new competitors from China. Also, the cheap oil price environment and structure changes resulting from shale oil production shifts industry trends and provides opportunities. Therefore, for domestic petrochemical companies, moving plants overseas, gaining control in material procurement, and reduce the distance to market had been an inevitable choice.

For our future development, we intend to strengthen product research and development in Taiwan and increase the value added of our products. Based on our mature production operation experience and technical human resources, our company would also be able to enhance our position in the global material market and develop an

integrated production base in China. Thus, connecting domestic and overseas markets together and build a stable operational business model to strengthen the company's long-term competitiveness, while focusing on environmental protection and CSR issues at the same time.

The Company owns land from de-commissioned factories in the Multifunctional Commerce and Trade Park area, which is part of the Asia New Bay Area Development Project currently undergoing development by the Kaohsiung City government and the 205 munitions factory relocation plan. To enhance shareholder value, the Company will evaluate the best process for land utilization through urban planning, to enhance our competitive advantage and achieve our mission for sustainable development.

Thanks for the support of our shareholders for all these years,

Best regards,

By Ching-Jing Sheen, Chairman of Board



Two. Introduction to Company

I. Date of Incorporation

1. Date of incorporation: April 24, 1969
2. Date of registration of incorporation: July 8, 1969

II. Company Profile

The Company was founded on April 24, 1969 and the incorporation of the Company was approved by Ministry of Economic Affairs on July 8, 1969. The Company's registered address is 11F, No. 12, Tunghsing Road, Songshan District, Taipei City. The Company and its subsidiaries are principally engaged in the business lines including production of such chemical products as crude oil, sodium chloride and phosphoric acid and their derivatives, and storage, transportation, purchase and marketing of related chemical products and raw materials & supplies. Its principal product lines include CPL, AN, CHIP and AS, et al..

Milestones:

1969	April 24	The Company was established as a State-Owned Enterprise, under the supervision of the Ministry of Economic Affairs.
1973	May	The ethane craker was brought on stream, and shut down in September 1990.
1973	June	DMT Plant was brought on stream, and shut down in July 1982.
1976	June	No.1 Acrylonitrile unit of Da-Sheh on stream.
1979	January	No. 2 Acrylonitrile unit of Da-Sheh brought on stream.

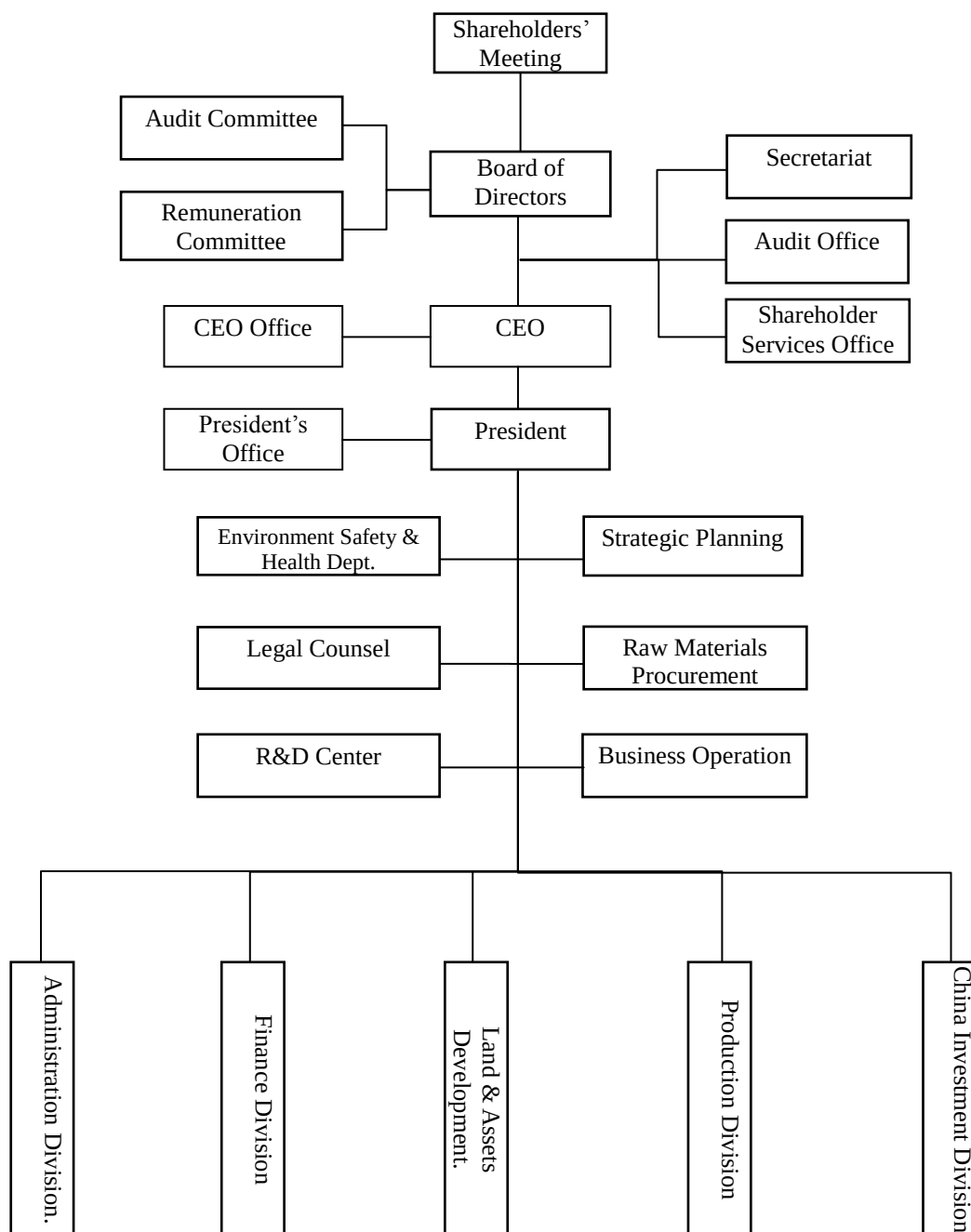
1982	May	Following the mandate from Ministry of Economic Affairs, the Company was merged with another State-Owned Enterprise, Chungtai Chemical Co., LTD.
1982	July	Following a mandate from the Ministry of Economic Affairs, the Company took over Kaohsiung plant of Taiwan Alkali Co., Ltd. (changing the name to CPDC Chen-Jen Plant), which was shut down in May 1988.
1983	January	Following the mandate from Ministry of Economic Affairs, the Company was merged with another State-Owned Enterprise, China Phosphate Co., Ltd.
1983	April	Following a mandate from Ministry of Economic Affairs, the Company was merged with another State-Owned Enterprise, Taiwan Alkali Co., Ltd.
1985	March	Methanel and GAC units of Da-Sheh Plant were brought on stream.
1991	July 12	The Company's stocks were listed at the Taiwan Stock Exchange Corporation (TSEC), and CPC released 20% of the Company's stocks held by it.
1993	July	The Company's Kaoshiung Anone Plant was shut down immediately.
1993	December	The Budget Economic Joint Committee of the Legislative Yuan passed a proposal for the Company's privatization.

1994	June 20	CPC released the Company's stock held by it once again, and the government-owned shareholding was reduced to 36.63% accordingly. The registration of change in the roster of shareholders was completed on the date, and the Company was privatized from a state-owned enterprise.
1999	September	The nylon chip unit was brought on stream.
2001	January	CPL Plant No. 3 (Hsiaokang Plant) and Co-gen units of Hsiaokang Plant and Tou-Fen Plant were brought on stream.
2002	November	Full implementation of ERP System (Oracle ERP)
2003	December	Kaohsiung Plant (CPL Plant No. 1) was shut down.
2011	April	Hsiaokang Plant CPL Expansion Project test-run completed
2012	April	Hsiao Plant phenolic ketone unit test-run completed
2012	June	Da-Sheh Plant Acrylonitrile unit expansion project test-run completed
2012	October	Tou-Fen Plant CPL Expansion Project test-run completed
2012	November	The GAC unit was shut down.

Three. Report on Corporate Governance

I. Organization

(I) Organizational Chart



Data available until April 2015

(II) Operations and functions

1. Chef Executive Officer Office:

Responsible for assisting the CEO in corporate management, collecting operating information, cooperating with other departments, supervising progress on specific projects, ensure project execution and provide progress report of board meetings objectives.

2. General Manager Office:

Responsible for assisting the General Manager in operational planning and analysis, also in charge of communication between different departments, branches and offices, assist in cooperation between production, supply, and marketing departments to ensure integrated operations, and other appointed operational tasks.

3. Environment Safety & Health Center:

Responsible for planning and improving the Company's strategies about Safety, Health & Environment, public hazard prevention and fire protection, and planning, boosting and managing Safety, Health & Environment ISO system-related matters.

4. Legal Counsel:

Responsible for providing legal advice and opinion to the Company, reviewing the Company's contracts and legal instruments, and prosecuting the Company's litigation.

5. R&D Center:

Responsible for planning and execution of the Company's R&D strategies, develop new product opportunities for products and byproducts, and improve R&D performance of catalytic agents.

6. Strategic Planning:

Responsible for analysis of the Company's operating environment and market trends, researching business developments, developing business strategies, and developing

operational plans. Analyze & study the feasibility of identified investment projects, plan and execute industrial cooperative programs, and managing the Company's IPR operations.

7. Raw Materials Procurement:

Responsible for the procurement, supply, factory construction, expansion of facilities for raw materials used in the Company's production, and procurement and selection of the Company's construction contracts.

8. Business Operations:

Responsible for sale of such products as CPL, nylon chips, AS and AN and byproducts and derivative products thereof, and collection of market intelligence for various products.

9. China Operations:

Responsible for pre-planning for the Company's investments in Mainland China and execution of construction projects for the establishment of a factory in Mainland China.

10. Production Division:

Responsible for production, warehousing and inventory management of such products as CPL, nylon chips, AS and AN and byproducts and derivative products thereof.

11. Finance Division:

Responsible for the financial income and expenditure, fund raising and allocation thereof, financial planning and control, cashier/accounting management of cash and securities, preparation of financial statements, internal audit, review, preparation and management of budget, claim for tax credit/exemption and tax return, investor relations, and supervision of company investments and subsidiaries.

12. Administration Division:

Responsible for planning, delivery and maintenance of the Company's information systems; planning of department

organization, planning of human resource, recruitment, planning of compensation & benefits, management of job positions, performance management, talent training and development, employee relations and general affairs.

13. Land & Assets Development:

Responsible for acquisition, planning and development of land for the Company, real estate operations for business and property management, construction and sale of modern residential premises, and management of fixed assets.

II. Information About Director, President, Vice President, Assistant Vice President, and Head of Department and Branch

(I) Information about directors

1. Information about directors

April 27, 2015

Job Title (Note 1)	Name	Nationality or registered country	Election (Appointment) Date	Term of Office	Inauguration Date (Note 2)	Shares at Election		Current Shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience (Note 3)	Position(s) Held Concurrently in the Company and/or in any Other Company	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship		
						Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Job Title	Name	Relation
Chairman	The Core Pacific Co., Ltd.	Not Applicable	20120630	Three Years Until June 29, 2015	19940726	33,434,729	1.693%	39,285,806	1.693%	0	0.000%	0	0.000%	N/A	N/A	N/A		
Institutional Representative of Chairman	Ching-Jing Sheen	Republic of China	20120630	Three Years until June 29, 2015	19970111	0	0.000%	0	0.000%	0	0.000%	0	0.000%	Chairman of Core Pacific Group	Chairman of Kaohsiung Monomer Co., Ltd. Chairman of Taiwan Chlorine Industries Ltd. Chairman of Chemax International Corporation Chairman of Weihua (Rudong) Trade Co., Ltd. Chairman of Weiqiang International Trade (Shanghai) Co., Ltd. Chairman of BES ENGINEERING CORPORATION Chairman of Jiangsu Weiming Petrochemical Corporation Director & President of Chung Hua Shuang Tzu Hsing Kai Fa Co., Ltd. Chairman of CPDC Investment (BVI) Co., Ltd. Chairman of Tao-Zhu Construction Co., Ltd. Chairman of Weida Petrochemical Co., Ltd. Chairman of Tai-wei Thaivex Therapeutics Co., Ltd. Chairman of Praxair Chemax Semiconductor Materials Co., Ltd.	None	None	None
Vice Chairman	BES Machinery Co., Ltd.	Not Applicable	20120630	Three Years Until June 29, 2015	20000524	9,746,420	0.494%	16,566,043	0.714%	0	0.000%	0	0.000%	N/A	N/A	N/A		

Job Title (Note 1)	Name	Nationality or registered country	Election (Appointment) Date	Term of Office	Inauguration Date (Note 2)	Shares at Election		Current Shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience (Note 3)	Position(s) Held Concurrently in the Company and/or in any Other Company	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship		
						Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Job Title	Name	Relation
Institutional Representative of Vice Chairman	Jiun-Nan Bai	Republic of China	20120630	Three Years Until June 29, 2015	20000524	0	0.000%	0	0.000%	0	0.000%	0	0.000%	Vice Chairman of BES ENGINEERING CORPORATION Ph.D. in Law, Institute of Economics, Chinese Culture University	Director of Living Mall Director of BES ENGINEERING CORPORATION Independent Director of Concord Securities Co., Ltd. Independent Director of MEGAFORCE COMPANY LIMITED Director of Tai-wei Thaiyex Therapeutics Co., Ltd.	None	None	None
Independent Director	Steve Ruey-Long Chen	Republic of China	20120630	Three Years Until June 29, 2015	20120630	0	0.000%	0	0.000%	0	0.000%	0	0.000%	Minister, Ministry of Economic Affairs Chairman, Institute for Information Industry Chairman, Sinocon Industrial Standards Foundation Secretary-General, Cross-Strait Entrepreneur Summit	Independent Director of Formosa Chemicals & Fibre Corporation Independent Director of Inventec Corporation. Director of Sinocon Industrial Standards Foundation Director of HANNSTAR BOARD CORPORATION Director of Bank of Panhsin Institutional Representative of ASIA CEMENT CORPORATION Institutional Representative of TEKKNOWLEDGE DEVELOPMENT CORP. Institutional Representative of POWERCHIP TECHNOLOGY CORPORATION Institutional Representative of POWERGATE OPTICAL, INC. Independent Director of NATURAL BEAUTY BIO-TECHNOLOGY LTD.	None	None	None
Independent Director	Yun-Peng Chu	Republic of China	20120630	Three Years Until June 29, 2015	20120630	0	0.000%	0	0.000%	0	0.000%	0	0.000%	Minister without Portfolio, Executive Yuan Professor, Economics, National Central University Chairman, Taiwan Insurance Guaranty Fund	Independent Director of Nan Ya Plastics Corp. Independent Director of ADIMMUNE CORPORATION Director of U-MING MARINE TRANSPORT CORP.	None	None	None
Independent Director	Pan Wen-Yen	Republic of China	20130628	Three Years Until June 29, 2015	20130628	0	0.000%	0	0.000%	0	0.000%	0	0.000%	Senior Research Engineer, Monsanto Company, a US-based company Chairman, Kuo Kuang Power Co. Ltd. President/ Chairman, CPC CTCI Foundation Chairman	Chairman of CTCI Foundation Independent Director of UPC TECHNOLOGY CORPORATION Director of U-MING MARINE TRANSPORT CORP. Institutional Representative of GINTECH ENERGY CORPORATION Institutional Representative of THSRC	None	None	None
Director	Jen Huei Enterprise Co., Ltd.	Not Applicable	20120630	Three Years Until June 29, 2015	20060630	13,722,519	0.695%	16,123,959	0.695%	0	0.000%	0	0.000%	N/A	N/A	N/A		

Job Title (Note 1)	Name	Nationality or registered country	Election (Appointment) Date	Term of Office	Inauguration Date (Note 2)	Shares at Election		Current Shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience (Note 3)	Position(s) Held Concurrently in the Company and/or in any Other Company	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship		
						Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Job Title	Name	Relation
Institutional Representative of Director Jen Huei Enterprise Co., Ltd.	Jiun-Huei Guo	Republic of China	20120630	Three Years Until June 29, 2015	20040611	0	0.000%	0	0.000%	0	0.000%	0	0.000%	President, TPC	Director of CMC Magnetic Co., Ltd. Director of SUMAGH Co., Ltd. Supervisor of ARIMA Co., Ltd.	None	None	None
Director	Jen Huei Enterprise Co., Ltd.	Not Applicable	20120630	Three Years Until June 29, 2015	20060630	13,722,519	0.695%	16,123,959	0.695%	0	0.000%	0	0.000%	N/A	N/A	N/A		
Institutional Representative of Director Jen Huei Enterprise Co., Ltd.	Ko-Ming Lin	Republic of China	20120712	Three Years Until June 29, 2015	20120105	0	0.000%	0	0.000%	0	0.000%	0	0.000%	Director/President, Core Pacific - Yamachi	Director of Praxair Chemax Semiconductor Materials Co., Ltd. Chairman of Rich Equities Ltd. Chairman of Unichem Development Limited Chairman and President of WEIDA (ZHANGZHOU) CONSULTANT SERVICE CO., LTD. Director of Kaohsiung Monomer Co., Ltd. Director of Taiwan Chlorine Industries Ltd. Director of Tsou Seen Chemical Industries Corporation Director of Chemax International Corporation Director of Weihua (Rudong) Trade Co., Ltd. Director of Weiqiang International Trade (Shanghai) Co., Ltd. Director of WEIDA PETROCHEMICAL CO., LTD.	None	None	None
Director	Sheen Chuen-Chi Cultural and Educational Foundation	Not Applicable	20120630	Three Years Until June 29, 2015	20000524	1,515,974	0.077%	1,781,269	0.077%	0	0.000%	0	0.000%	N/A	N/A	N/A		
Institutional Representative of Director Sheen Chuen-Chi Cultural and Educational Foundation	Lian-Sheng Tsai	Republic of China	20120630	Three Years Until June 29, 2015	20120630	0	0.000%	0	0.000%	0	0.000%	0	0.000%	Director General, Intellectual Property Office, Ministry of Economic Affairs, R.O.C. Executive Secretary, Investment Commission, MOEA Secretary General, Bureau of Foreign Trade, MOEA Deputy Secretary General, Cross-Strait CEO Summit	Secretary-General of The Chinese National Federation of Industries Director of The Research and Development Institute of Vocational Training Republic of China Director of Asia Pacific Intellectual Property Association Director of Intellectual Property Innovation Corporation (IPIC)	None	None	None

Job Title (Note 1)	Name	Nationality or registered country	Election (Appointment) Date	Term of Office	Inauguration Date (Note 2)	Shares at Election		Current Shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience (Note 3)	Position(s) Held Concurrently in the Company and/or in any Other Company	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship		
						Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding			Job Title	Name	Relation
Director	Sheen Chuen-Chi Cultural and Educational Foundation	Not Applicable	20120630	Three Years Until June 29, 2015	20000524	1,515,974	0.077%	1,781,269	0.077%	0	0.000%	0	0.000%	N/A	N/A	N/A		
Institutional Representative of Director Sheen Chuen-Chi Cultural and Educational Foundation	Kuen-Ming Lin (Note 5)	Republic of China	20130801	Three Years Until June 29, 2015	20120630	0	0.000%	0	0.000%	0	0.000%	0	0.000%	Chairman, Premier Capital Management Corp. Chairman, Taiwan Venture Capital Association Director, Straits Economics & Cultural Interchange Association	Chairman and President of Premier Venture Capital Corp. President of Kun Chi Venture Capital Corp. Chairman of Ruby Tech Corp. Director of Dexin Corp. Director of AMIT, Inc. Director of Zipcom Corporation Director of Taiyi Precision Tech Corp. Director of Lung Hwa Electronics Co., Ltd. Director of CORETREND Technology Inc. Supervisor of United Integrated Services Co., Ltd.	None	None	None
Director	Yu-Lun Ou	Republic of China	20120630	Three Years Until June 29, 2015	20120630	2,000	0.0001%	2,350	0.0001%	0	0.000%	0	0.000%	Supervisor, Straits Economic & Trade Advancement Society Arbitrator, The Chinese Arbitration Association, Taipei	Attorney-at-Law of Li Yang Law Office	None	None	None

Note 1: The institutional shareholder shall be identified by name and representative (in the case of institutional representative, please specify the institutional shareholder's name) and also complete the following Table 1.

Note 2: Please also specify if the initial term of office for the Company's director or supervisor is interrupted.

Note 3: Refers to experiences related to the current post. If the officer once assumed a post in a CPA Office or an affiliate of the Company, please specify the job title and responsibilities thereof.

2. Major shareholders of corporate shareholders

April 27, 2015

Name of Corporate Shareholder (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)
Jen Huei Enterprise Co., Ltd.	Ruan Sheng-Yuan (9.38%), Chen Shu-Chen (0.62%), Hsu Rue-Ping (9.38%), Hsu Ai-Chu (8.75%), Wu Ting (10.00%), Tsou Jing Technology Co., Ltd. (9.38%), Tien Jing Investment Co., Ltd. (8.75%)
The Core Pacific Co., Ltd.	Jinghua Investment Co., Ltd. (9.11%), Chen Chi Enterprise Co., Ltd. (9.29%), Jinghua Supermarket Co., Ltd. (8.49%), Hung Yi Construction Co., Ltd. (6.67%), Tang Lin-Mei (9.11%), Wu Ting (6.67%), Wu Chun-Feng (6.67%), Ching Ding Technology Co., Ltd. (7.74%), Hsu Rue-Ping (13.30%), Chang Tung-An (5.56%)
Sheen Chuen-Chi Cultural and Educational Foundation	(A foundation)
BES Machinery Co., Ltd.	BES Engineering Corporation (96.58%), Gu Chi-Kang (0.12%), Chen Wu-Hsiung (0.06%), Lin Sheng-Yi (0.05%), Lin Long-Chuan (0.05%), Liu Li-Chao (0.04%), Chi Hsin-Chun (0.03%), Lin Peng-Wan (0.03%), Wu Sheng-Yuan (0.03%), Chu Kuo-Ching (0.03%)

Note 1: For director or supervisor who acts as a corporate shareholder's representative, please specify the corporate shareholder's name.

Note 2: Please specify names of the major shareholders of the given corporate shareholder (top ten shareholders) and the ratio of shareholding thereof. Where the major shareholder is a corporation, please complete the following Table 2.

3. Major Shareholders of Major Corporate Shareholder

April 27, 2015

Name of Corporate Shareholder (Note 1)	Major Shareholders of Corporate Shareholders (Note 2)
BES ENGINEERING CORPORATION	China Petrochemical Development Corporation (CPDC) (7.394%), Ding Yuan Investment Co., Ltd. (3.986%), The Core Pacific Co., Ltd. (2.246%), Dimensional Emerging Markets Value fund at Citibank (1.612%), Kuo Ching Investment Co., Ltd. (1.475%), Tong Development Industrial Co., Ltd. (1.396%), Su Bo-Cheng(1.090%), Nan Shan Life Insurance Co., Ltd. (1.034%), Huang Lang-Chu (0.887%), Central Bank of Norway Investment Account at Chase Bank (0.869%)
Jinghua Investment Co., Ltd.	Tien Jing Investment Co., Ltd. (6.75%), Jingdu Construction Development Co., Ltd. (9.94%), Kuo Ching Investment Co., Ltd. (9.00%), Chi Yong Development Industrial Co., Ltd. (9.00%), Wu Ting(30.00%), Ching Ding Technology Co., Ltd.(24.00%), Chen Chi Enterprise Co., Ltd. (11.25%)
Jinghua Supermarket Co., Ltd.	Fu Hsing Management Consultation Co., Ltd. (0.87%), Yuan Wei Enterprise Co., Ltd. (0.70%), Hsu Rue-Ping (0.85%), Cheng Li-Feng (1.93%), Cheng Chao-Wen (0.33%), Chang An-Tung (0.70%), Yu Fan-Lang (1.54%), Asia Pacific Industrial & Commercial Joint Admission Co., Ltd. (64.81%)
Hung Yi Construction Co., Ltd.	Tien Jing Investment Co., Ltd. (21.72%), Jingdu Construction Development Co., Ltd. (24.17%), Ching Ding Technology Co., Ltd. (2.53%), Living Mall (5.05%), Chang Tung-An (2.53%), Hsu Rue-Ping (2.53%), Yao Che-Sheng (6.06%), Wu Ting (12.63%), Chen Chi Enterprise Co., Ltd. (15.15%)
Ching Ding Technology Co., Ltd.	Hung Yi Construction Co., Ltd. (9.07%), Chen Chi Enterprise Co., Ltd. (29.07%), Fu Hsing Management Consultation Co., Ltd. (8.13%), Tsou Jing Technology Co., Ltd. (8.14%), Ching Chen Industrial Co., Ltd. (9.76%), Tang Lin-Mei (0.52%), Chang Tung-An (0.96%), Hsu Rue-Ping (1.57%), Fan Chen-Chun (3.21%), Chang Po Enterprise Co., Ltd. (8.95%)
Chen Chi Enterprise Co., Ltd.	Ching Ding Technology Co., Ltd. (15.00%), Jing Kuo Real Estate Agency Co., Ltd. (33.60%), Fang Yang Industrial Co., Ltd. (15.00%), Wu Chun-Feng (36.40%)
Tsou Jing Technology Co., Ltd.	Kuo Ching Investment Co., Ltd. (27.50%), Wu Ting (2.50%), Hsu Rue-Ping (33.75%), Wu Hseuh-Ming (1.25%), Tang Lin-Mei (2.50%), Yu Fan-Lang (5.00%), Chen Chi Enterprise Co., Ltd. (27.50%)
Tien Jing Investment Co., Ltd.	Wu Ting (17%), Yao Che-Sheng (5.56%), Hsu Rue-Ping (5.96%), Kuo Ching Investment Co., Ltd. (20.74%), Chen Chi Enterprise Co., Ltd. (2.91%), Ching Ding Technology Co., Ltd. (10.53%), Hung Yi Construction Co., Ltd. (21.42%)

Note 1: The names of the major corporate shareholders referred to in Table 1, if any, shall be specified.

Note 2: Please specify names of the major shareholders of the given shareholder (top ten shareholders) and the ratio of shareholding thereof.

4. Information on Directors and Supervisors in professionalism and impartiality

April 27, 2015

Qualifications Name (Note 1)	More than 5 years of experience and the following professional qualifications			Status of independence (Note 2)										Number of public companies where the person holds the title as independent director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the company in public or private colleges or universities	Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required Work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8	9	10	
Ching-Jing Sheen			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Jiun-Nan Bai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Steve Ruey-Long Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yun-Peng Chu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Pag Wen-Yen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ko-Ming Lin			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Jiun-Huei Guo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lian-Sheng Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kuen-Ming Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yu-Lun Ou		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: The number of spaces shall be adjusted subject to the actual circumstances.

Note 2: Respective directors and supervisors who meet the following qualifications 2 years before assumption of office and at the time of assumption office shall put a “✓” in the appropriate space.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates (excluding the capacity of the independent director of the Company or its parents, or a subsidiary directly or indirectly held by the Company with more than a 50% stake).
- (3) Not a natural person, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
- (4) Not a spouse, kin at the second tier under the Civil Code, or a lineal blood relative within the third tier under the Civil Code as specified in (1) through (3).
- (5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
- (6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding

shares of a specific company or institution in a business or financial relationship with the Company.

- (7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provides business, legal, financial and accounting services to the Company or its affiliates or a spouse to the aforementioned persons. However, this shall not apply to the remuneration committee members who exercise their powers in accordance with Article 7 of the Regulations on the Establishment of Remuneration Committees by TWSE/GTSM Listed Companies and their Exercise of Powers.
- (8) Not a spouse to or kin at the second tier under the Civil Code to any other director.
- (9) Not under any of the categories stated in Article 30 of the Company Law.
- (10) No Government Apparatus agency, juristic person or its representative is elected under Article 27 of the Company Law.

(II) Information about President, Vice President, Assistant Vice President, and Head of Department and Branch

April 27, 2015

Job Title	Nationality or Registry	Name	Election Date	Status of Shareholding		Current Shares Held by Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Positions Held Concurrently in any Other Companies	Managerial Officers with Spouses or Relatives Within the Second Degree of Kinship		
				Quantity	Ratio %	Quantity	Ratio %	Quantity	Ratio %			Job Title	Name	Relation
CEO	R.O.C	Ching-Jing Sheen	2011.07.20	0	0	0	0	0	0	Chairman of Core Pacific Group	a. Chairman of Kaohsiung Monomer Co., Ltd. b. Chairman of Taiwan Chlorine Industries Ltd. c. Chairman of Chemax International Corporation d. Chairman of Weihua (Rudong) Trade Co., Ltd. e. Chairman of Weiqiang International Trade (Shanghai) Co., Ltd. f. Chairman of BES ENGINEERING CORPORATION g. Chairman of Jiangsu Weiming Petrochemical Corporation h. Chairman of Chung Hua Shuang Tzu Hsing Kai Fa Co., Ltd. i. Chairman of CPDC Investment (BVI) Co., Ltd. j. Chairman of Zhangzhou Weida Petrochemical Corporation k. Chairman of Tao Zhu Construction Corporation l. Chairman of Taivex Therapeutics Corporation m. Director of Praxair Chemax Xemiconductor Materials Co., Ltd.	None	None	None

Job Title	Nationality or Registry	Name	Election Date	Status of Shareholding		Current Shares Held by Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Positions Held Concurrently in any Other Companies	Managerial Officers with Spouses or Relatives Within the Second Degree of Kinship		
				Quantity	Ratio %	Quantity	Ratio %	Quantity	Ratio %			Job Title	Name	Relation
Acting President	R.O.C	George Yeh	2012.10.24	244,886	0.011	0	0	0	0	Section Chief, Manager, Factory Manager and Vice President of CPDC Master, Graduate Programs of Department of Chemical Engineering, National Cheng Kung University	a. Director of CKS Guard b. Director of Chung Shih Hsing Development Corporation c. President of Zhangzhou Weida Petrochemical Corporation d. Director of China Petrochemical Development Corporation	None	None	None
Vice President	R.O.C	Janson Yu	2012.04.27	0	0	917	0.00004	0	0	Director/CFO, Core Pacific Living City (Yangchou) CFO, Core Pacific City Co., Ltd. Project Manager, Core Pacific Securities Accounting Department, Fu Jen Catholic University	a. Director of BES ENGINEERING CORPORATION b. Supervisor of Praxair Chemax Semiconductor Materials Co., Ltd. c. Supervisor of Kaohsiung Monomer Co., Ltd. d. Supervisor of Taiwan Chlorine Industries Ltd. e. Supervisor of Tsou Seen Chemical Industries Corporation f. Director of CPDC Investment (BVI) Co., Ltd. g. Director of Rich Equities Ltd. h. Director of WEIDA (ZHANGZHOU) CONSULTANT SERVICE CO., LTD. i. Chairman of Taivex therapeutics Corporation j. Director of Tao Zhu Construction Corporation k. Director of China Petrochemical Development Corporation	None	None	None

Job Title	Nationality or Registry	Name	Election Date	Status of Shareholding		Current Shares Held by Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Positions Held Concurrently in any Other Companies	Managerial Officers with Spouses or Relatives Within the Second Degree of Kinship		
				Quantity	Ratio %	Quantity	Ratio %	Quantity	Ratio %			Job Title	Name	Relation
Vice President	R.O.C	Susan Chu	2012.08.20	46,516	0.002	0	0	0	0	System Management Director, Quai Mao Technology Co., Ltd., Information Management Dept. Manager, Microelectronics Technology Inc. (MTI), Information Management Dept. Manager, Sampo Technology Corp., Information Management Dept. Ming Chuan College, Department of Electronic and Information Engineering	a. Supervisor of Weihua (Rudong) Trade Co., Ltd. b. Supervisor of Weiqiang International Trade (Shanghai) Co., Ltd. c. Supervisor of Jiangsu Weiming Petrochemical Corporation d. Director of Zhangzhou Weida Petrochemical Corporation	None	None	None
Vice President & Special Assistant of Chairman	R.O.C	Liu Hsiang-Kuo	2013.04.24	0	0	0	0	0	0	Special Assistant, BES ENGINEERING CORPORATION Assistant Vice President & Vice President, CPDC Graduate Program, Department of Management Science, National Chiao Tung University	None	None	None	None
Vice President	R.O.C	Lin Ching	2014.02.13	0	0	0	0	0	0	Chief, Planning Division, Construction and Planning Agency, Ministry of Interior Director-General, Yushan National Park Administration Director-General, Shei-Pa National Park Headquarters Director-General, Kenting National Park Headquarters Master in Urban Planning, National Chung Hsing University	a. President of Tao Zhu Construction Corporation	None	None	None
Lead Auditor	R.O.C	Yang Huei-Fan	2013.01.08	0	0	0	0	0	0	Senior Management Professional and Manager, CPDC Department of Business Administration, Fu Jen Catholic University	None	None	None	None

Job Title	Nationality or Registry	Name	Election Date	Status of Shareholding		Current Shares Held by Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Positions Held Concurrently in any Other Companies	Managerial Officers with Spouses or Relatives Within the Second Degree of Kinship		
				Quantity	Ratio %	Quantity	Ratio %	Quantity	Ratio %			Job Title	Name	Relation
Assistant Vice President	R.O.C	Steven Chen	2006.08.16	7,194	0.0003	0	0	0	0	Chemical Engineer, Chemical Engineer, Director, Section Chief, Team Chief, Vice Factory Manager, Factory Manager and Special Assistant, CPDC Vice President, Kaohsiung Monomer Co., Ltd. President, CPDC Engineering Corp. Department of Chemical Engineering, Chung Yuan Christian University	None	None	None	None
Assistant Vice President & Special Assistant of Chairman	R.O.C	Huang Tien-Hsun	2013.12.26	0	0	0	0	0	0	Manager, CTBC Bank Assistant Vice President, SinoPac Securities Contracted Trainer, Taiwan Corporate Governance Association Assistant Vice President, CPDC Department of Management, National Chiayi University Independent Director, ACARD Technology	a. Director of CKS Guard b. Director of Praxair Chemax Semiconductor Materials Co., Ltd.	None	None	None
Assistant Vice President	R.O.C	Matthew Fu	2011.04.01	0	0	0	0	0	0	Assistant Vice President of China Synthetic Rubber Corp.; Ph.D. in Chemical Engineering, National Tsing Hua University	a. President of Chemax International Corporation b. Executive Vice President of Weiqiang International Trade (Shanghai) Co., Ltd c. Executive Vice President of Weihua (Rudong) Trade Co., Ltd.	None	None	None
Project Manager	R.O.C	Chi-Chun Chia	2013.05.01	164	0.00001	0	0	0	0	Engineer, China Zhong Lin Co. Ltd. Engineer, Director and Manager, CPDC Department of Fiber Chemistry, National Taipei Institute of Technology ACARD Technology Corp Independent Director	Vice President of Jiangsu Weiming Petrochemical Corporation	None	None	None

Job Title	Nationality or Registry	Name	Election Date	Status of Shareholding		Current Shares Held by Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Positions Held Concurrently in any Other Companies	Managerial Officers with Spouses or Relatives Within the Second Degree of Kinship		
				Quantity	Ratio %	Quantity	Ratio %	Quantity	Ratio %			Job Title	Name	Relation
Assistant Vice President	R.O.C	Yong-Fu-Liu	2014.09.01	0	0	0	0	0	0	Assistant Manager of Xinbao Securities Assistant Manager of Jinghua Securities Audit Manager of Cotech Engineering FuZhou Corporation Manager of Waterland Securities Associate Manager of MasterLink Securities MBA, Indiana State University	Supervisor of Chemax International Corporation Supervisor of Taivax Therapeutics Corporation Director of CPDC Investment (BVI) Co., Ltd. Director of Shi-Fu Co., Ltd. Supervisor of China Petrochemical Development Corporation	None	None	None
Factory Manager	R.O.C	Chien-hsien Li	2013.05.01	62,027	0.003	43,000	0.002	0	0	Director, Specialist, Manager and Foreman, CPDC Ph.D. in Chemical Engineering, National Central University	None	None	None	None
Factory Manager	R.O.C	Yuan-Long Chen	2014.05.19	15,496	0.00067	0	0	0	0	Organizer of ChangChun Plastics Co., Ltd. Manager of Zhong-Xin Co., Ltd. Vice President of Engineer of Taiwan Non-Profit Proprietary Miners Co., Ltd. Assistant Vice President of Archwell Corporation Manager and Factory Manager of China Petrochemical Development Corporation Master in Chemical Engineering, National Taiwan University	None	None	None	None
Factory Manager	R.O.C	Jen Wei	2013.05.01	1,281	0.00006	0	0	0	0	Director, Specialist, Manager and Foreman, CPDC Department of Chemistry, Chinese Culture University	None	None	None	None

Data about shareholding available until the date when the registration of stock transfer was suspended at the general shareholders' meeting 2015.

(III) Remuneration to Directors (including Independent Directors), Supervisors, President and Vice Presidents

1. Remuneration to Directors (including independent directors) (names and remuneration thereof to be disclosed individually)

December 31, 2014

Currency Unit: NTD Thousand

Job Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to Earnings After Tax (%) (Note 11)		Remuneration in the capacity as employees												The sum of A, B, C, D, E, F and G to Earnings after Tax (%) (Note 11)		Remuneration from investees other than subsidiaries (Note 12)
		Remuneration (A) (Note 2)		Pension (B)		Retained Shares Distribution (C) (Note 3)		For Services (D) (Note 4)				Salaries, bonus and special subsidies (E) (Note 5)		Pension (F)		Employee bonus from earnings (G) (Note 6)		Quantity of shares entitled under employee stock option (H) (Note 7)		Quantity of limited employee new shares obtained (I) (Note 13)						
		The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)					
Chairman & CEO	Representative of The Core Pacific Co., Ltd.: Ching-Jing Sheen	0	0	0	0	0	0	0	12	0%	0.004%	10,620	10,620	0	0	0	0	0	0	0	0	0	0	3.488%	3.492%	0
Director & Vice Chairman	Representative of BES Machinery Co., Ltd.: Jiun-Nan Bai	0	0	0	0	0	0	0	0	0%	0%	4,714	4,714	0	0	0	0	0	0	0	0	0	1.548%	1.548%	0	
Director	Representative of Jen Hwei Enterprise Co., Ltd.: Jiun-Huei Guo	0	0	0	0	0	0	288	288	0.095%	0.095%	0	0	0	0	0	0	0	0	0	0	0	0.095%	0.095%	0	
Director & Special Assistant	Representative of Jen Hwei Enterprise Co., Ltd.: Ko-Ming Lin	0	0	0	0	0	0	0	54	0%	0.0178%	5,137	5,137	0	0	0	0	0	0	0	0	0	1.687%	1.705%	118	

Job Title	Name	Remuneration to Directors								The sum of A, B, C and D in proportion to Earnings After Tax (%) (Note 11)		Remuneration in the capacity as employees												The sum of A, B, C, D, E, F and G to Earnings after Tax (%) (Note 11)		Remuneration from investees other than subsidiaries (Note 12)	
		Remuneration (A) (Note 2)		Pension (B)		Retained Shares Distribution (C) (Note 3)		For Services (D) (Note 4)				Salaries, bonus and special subsidies (E) (Note 5)		Pension (F)		Employee bonus from earnings (G) (Note 6)				Quantity of shares entitled under employee stock option (H) (Note 7)		Quantity of limited employee new shares obtained (I) (Note 13)					
		The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company		All companies included into the financial statement (Note 8)		The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)	The Company	All companies included into the financial statement (Note 8)				
Director	Representative of Sheen Chueh-Chi Cultural and Educational Foundation: Lian-Sheng Tsai	0	0	0	0	0	0	280	280	0.092%	0.092%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.092%	0.092%	
Director	Representative of Sheen Chueh-Chi Cultural and Educational Foundation: Kuen-Ming Lin	0	0	0	0	0	0	284	284	0.093%	0.093%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.093%	0.093%	
Director	Yu-Lun Ou	0	0	0	0	0	0	272	272	0.089%	0.089%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.089%	0.089%	
Independent Director	Steve Ruey-long Chen	2,400	2,400	0	0	0	0	0	0	0.788%	0.788%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.788%	0.788%	
Independent Director	Yun-Peng Chu	2,400	2,400	0	0	0	0	0	0	0.788%	0.788%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.788%	0.788%	
Independent Director	Pag Wen-Yen	2,400	2,400	0	0	0	0	0	0	0.788%	0.788%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.788%	0.788%	

- Note 1: Directors' names shall be identified one by one (corporate shareholders shall be identified by the corporate shareholder's name and representative individually, and the various payments shall be summarized and then disclosed. If a director also acts as a president or vice president concurrently, please specify this table and the following table (3-1) or (3-2).
- Note 2: The remuneration to directors in the most recent year (including director's salary, duty allowance, severance pay, bonus and reward, et al.).
- Note 3: The remuneration to directors approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year.
- Note 4: The directors' professional practicing fees in the most recent year (including transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car, et al.). If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the

nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by the Company to the driver, but exclude the same from the remuneration.

- Note 5: It means the salary, duty allowance, severance pay, bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car received by the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) in the most recent year. If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by the Company to the driver, but exclude the same from the remuneration.
- Note 6: If the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) received employee bonus (including stock dividend and cash dividend) in the most recent year, please disclose the employee bonus approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year, and please also specify the table 1-3.
- Note 7: It means the quantity of shares which may be subscribed for by the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) under the employee stock option (excluding those already executed) until the date of publication of the annual report. Please complete this table and also table 15.
- Note 8: Please disclose the aggregate of the remuneration paid to the Company's directors by all companies included into the consolidated financial reports (including the Company).
- Note 9: The aggregate of the remuneration to each director by the Company shall include the director's name disclosed in the relevant space of the following table.
- Note 10: The aggregate of the remuneration paid to each of the Company's directors by the companies included into the consolidated financial reports (including the Company) shall include the director's name disclosed in the relevant space of the following table.
- Note 11: The earnings after tax refers to the earnings after tax in the most recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.
- Note 12: a. To specify whether the Company's directors have received remuneration from investees beyond subsidiaries.
- b. If the Company's directors have received remuneration from investees beyond subsidiaries, please include the same into Section J in the following table and changed the name of the section into "all investees".
- c. The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's directors who acted as the directors, supervisors or managerial officers of investees other than subsidiaries.
- Note 13: It means the quantity of limited employee new shares obtained by the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) until the date of publication of the annual report. Please complete this table and also table 15-1 (N/A to the Company).
- * The remuneration disclosed herein is different from the income referred to in the Income Tax Law conceptually. Therefore, the breakdown is only intended for disclosure of information, instead of taxation.
- * The remuneration disclosed herein is disclosed based on estimations and on an accrual basis.

2. Remuneration to President and Vice President (Summarized in accordance with the Range of Remuneration disclosed)

December 31, 2014

Currency Unit: NTD Thousand

Job Title	Name	Salary (A) (Note 2)		Pension (B)		Cash incentives and special discretionary allowance etc. (C) (Note 3)		Employee bonus allocated from earnings (D) (Note 4)				The sum of A, B, C and D in proportion to Earnings After Tax (%) (Note 9)		Employee stock options granted (Note 5)		Quantity of limited employee new shares obtained (Note 11)		Remuneration from investees other than subsidiaries (Note 10)
		The Company	All companies included into the financial statement (Note 6)	The Company	All companies included into the financial statement (Note 6)	The Company	All companies included into the financial statement (Note 6)	The Company		All companies included into the financial statement (Note 6)		The Company	All companies included into the financial statement (Note 6)	The Company	All companies included into the financial statement (Note 6)			
								Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend							
Chairman & CEO	Ching-Jing Sheen	28,167	28,167	0	0	8,760	8,929	0	0	0	0	12.13%	12.18%	0	0	0	0	665
Director & Vice Chairman	Jiun-Nan Bai																	
Special Assistant of CEO	Ko-Ming Lin																	
Acting President	George Yeh																	
Vice President, Finance Dept.	Janson Yu																	
Vice President, Administration Dept.	Susan Chu																	
Vice President, Production Dept.	Chen Mao-Sheng																	
Executive Vice President & Special Assistant of Chairman	Liu Hsiang-Kuo																	
Vice President of Department of Land Development	Qing Lin																	

* Any positions correspondent to president or vice president (e.g. President, CEO or Director, et al.) shall be disclosed, irrelevant with job titles.

Breakdown of Remuneration

Breakdown of remuneration paid to president and vice president	Name of President or Vice President	
	The Company (Note 7)	All companies included into the financial statement (Note 8) E
Less than NT\$2,000,000	Chen Mao-Sheng	Chen Mao-Sheng
NT\$2,000,000 thousand (inclusive) ~ NT\$5,000,000 (exclusive)	Jiun-Nan Bai, George Yeh, Janson Yu, Susan Chu, Qing Lin, Liu Hsiang-Kuo	Jiun-Nan Bai, George Yeh, Janson Yu, Susan Chu, Qing Lin, Liu Hsiang-Kuo
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Ko-Ming Lin	Ko-Ming Lin
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Ching-Jing Sheen	Ching-Jing Sheen
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
NT\$100,000,000 or more		
Total	9 persons	9 persons

Note 1: The name of president or vice president shall be identified one by one, and the various payments shall be summarized and then disclosed.

Note 2: Please specify the salary, duty allowance and severance paid to the presidents and vice presidents in the most recent year.

Note 3: Please specify the bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car, as well as other remunerations, received by the presidents and vice presidents in the most recent year. If a house, car and any other transportation means or exclusive personal allowance is provided, please disclose the nature and cost of the assets, rent imputed based on the actual value or fair value, fuel expenses and other benefits. If a driver is assigned, please specify the pay made by the Company to the driver, but exclude the same from the remuneration.

Note 4: Please specify the employee bonus (including stock dividend and cash dividend) to be allocated to the presidents and vice presidents as approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year, and please also specify the table 1-3. The earnings after tax refers to the earnings after tax in the most recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.

Note 5: It means the quantity of shares which may be subscribed for by the presidents and vice presidents under the employee stock option (excluding those already

executed) until the date of publication of the annual report. Please complete this table and also table 15. (N/A to the Company).

- Note 6: Please disclose the aggregate of the remuneration paid to the Company's presidents and vice presidents by all companies included into the consolidated financial reports (including the Company).
- Note 7: The aggregate of the remuneration to each president or vice president by the Company shall include the president's or vice president's name disclosed in the relevant space of the following table.
- Note 8: The aggregate of the remuneration paid to each of the Company's presidents and vice presidents by the companies included into the consolidated financial reports (including the Company) shall include the president's and vice president's names disclosed in the relevant space of the following table.
- Note 9: The earnings after tax refers to the earnings after tax in the most recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.
- Note 10: a. To specify whether the Company's presidents and vice presidents have received remuneration from investees beyond subsidiaries.
b. If the Company's presidents and vice presidents have received remuneration from investees beyond subsidiaries, please include the same into Section E in the following table and changed the name of the section into "all investees".
c. The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's presidents and vice presidents who acted as the directors, supervisors or managerial officers of investees other than subsidiaries.
- Note 11: It means the quantity of limited employee new shares obtained by the directors who acted as employees concurrently (including president, vice president, managerial officer and employee) until the date of publication of the annual report. Please complete this table and also table 15-1.
- Note 12: Qin Lin was appointed on February 13, 2014.
- Note 13: Mr. Chen Mao-Sheng ended his service as a Key Manager on April 30, 2014.
- * The remuneration disclosed herein is different from the income referred to in the Income Tax Law conceptually. Therefore, the breakdown is only intended for disclosure of information, instead of taxation.
- * The remuneration disclosed herein is disclosed based on estimations and on an accrual basis.

3. Employee bonus amount paid to managerial officers:

Employee bonus amount paid to managerial officers:

December 31, 2014

Currency Unit: NTD Thousand

	Job Title (Note 1)	Name (Note 1)	Stock Dividend	Cash Dividend	Total	Proportion to Earnings After Tax (%)
Managerial Officer	Chairman & CEO	Ching-Jing Sheen	0	0	0	0
	Acting President	George Yeh				
	Vice President	Janson Yu				
	Vice President	Susan Chu				
	Vice President	Chen Mao-Sheng				
	Vice President & Special Assistant of Chairman	Liu Hsiang-Kuo				
	Assistant Vice President & Special Assistant of Chairman	Huang Tien-Hsun				
	Lead Auditor	Yang Huei-Fan				
	Assistant Vice President	Steven Chen				
	Assistant Vice President	Matthew Fu				
	Assistant Vice President	Chi-Chun Chia				
	Factory Manager	Lee Ming-Hung (Note 5)				
	Factory Manager	Chien-hsien Li				
	Factory Manager	Jen Wei				
	Factory Manager	Yuan-Long Chen (Note 6)				

Note 1: Please disclose the name and job title individually, while the allocation of earnings may be summarized and then disclosed.

Note 2: Please specify the employee bonus (including stock dividend and cash dividend) to be allocated to the managerial officers as approved by the Board of Directors prior to the motion for allocation of earnings submitted to the shareholders' meeting in the most recent year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year. The earnings after tax refers to the earnings after tax in the most recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.

Note 3: The scope of managerial officers shall be defined in the following manner, as per the Board's decree under Tai-Tsai-Cheng-3-Tze No. 0920001301 dated March 27, 2003:

- (1) President and equivalents;
- (2) Vice president and equivalents;
- (3) Assistant vice president and equivalents;

- (4) Chief of Financial Dept.;
- (5) Chief of Accounting Dept.;
- (6) Any other persons in charge of the Company's affairs and entitled to sign instruments on behalf of the Company.

Note 4: If any director, president or vice president has received employee bonus (including stock dividend and cash dividend), please complete table 1-2 and also this table.

Note 5: Lee Ming-Hung was appointed as a Manager of the Production Department on May 19, 2014.

Note 6: Yuan-Long Chen was appointed as Factory Manager of Dashe Factory on May 19, 2014.

(IV) Specify and compare the remuneration to directors, presidents and vice presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk:

Total remuneration paid to directors, presidents, and vice presidents (calculated based on estimations and on an accrual basis) in proportion to the earnings after tax:

2014		2013 (Note)	
The Company	All companies included into the consolidated financial statements	The Company	All companies included into the consolidated financial statements
14.863%	14.935%	1.004%	1.011%

Note: The accounting policy of investment properties and the subsequent measurement has been changed from cost model to fair value model since 2014. Retrospective application of the change in accounting policy is allowed by IFRS. Therefore, part of the financial information in 2013 was recalculated in accordance with that in 2014. One additional independent director was elected at the 2013 Annual General Meeting. After the establishment of the Audit Committee, the supervisor ended his term of office on August 1st, 2013.

Total remuneration paid to directors, presidents, and vice presidents of the Company in proportion to the earnings after tax is analyzed as following:

The remuneration to the Chairman (full-time) and directors of the Company was based on the remuneration, transportation allowance and attendance allowance applicable in the same industry domestically

and overseas, taking the performance and risk into consideration, and paid in accordance with Article 28 of the Company's Articles of Incorporation. Meanwhile, according to Article 32 of the Articles of Incorporation, 2% of the earnings shall be allocated as remuneration to directors according to the motion for allocation of shareholders' dividend. Balance of the company's net income in 2014 is zero after distribution of taxes, legal reserves and earned surplus in accordance with the law or relevant authorities. No remuneration to directors was allocated. The remuneration to the Company's presidents and vice presidents (including salary, allowance and bonus, et al.) will be evaluated based on market intelligence, seniority, responsibilities, experience, performance and risk, and paid in accordance with Article 29 of the Company Law. The Company established the Remuneration Committee in September 2011. As the companies included into the consolidated financial statements are invested and wholly owned by the Company, the Company's remuneration policy shall apply to them.

III. Status of Corporate Governance

(I) Operations of the Board

1. The Board held 12 meetings (A) in 2014. The attendance record of directors & supervisors is listed below:
2. The supervisors have attended a total of 8 directors' meetings in person.

Job Title	Name (Note 1)	Representative	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remark
Chairman	The Core Pacific Co., Ltd.	Ching-Jing Sheen	12	0	100	
Vice Chairman	BES Machinery Co., Ltd.	Jiun-Nan Bai	11	1	92	
Independent Director	Steve Ruey-long Chen		9	3	75	
Independent Director	Yun-Peng Zhu		11	1	92	
Independent Director	Pan Wen-Yen		10	2	83	
Director	Sheen Chuen-Chi Cultural and Educational Foundation 1	Lian-Sheng Tsai	10	2	83	
Director	Sheen Chuen-Chi Cultural and Educational Foundation 2	Kuen-Ming Lin	11	1	92	
Director	Jen Huei Enterprise Co., Ltd. 1	Jiun-Huei Guo	12	0	100	
Director	Jen Huei Enterprise Co., Ltd. 2	Ko-Ming Lin	12	0	100	
Director	Yu-Lun Ou		8	0	67	No attendance by proxy. All were on leave.

Other notes:

- I. Concerning items listed in Article 14-3 of the Securities and Exchange Act as well as items in board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing, the minutes shall clearly state the meeting date, period, content of the resolution, opinions of all independent directors, and the Company's handling of the opinions of the independent directors: None for this year.
- II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the motion and resolution thereof, reason for not voting and actual voting counts: None for this year.
- III. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information

Job Title	Name (Note 1)	Representative	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remark
transparency, etc.) and assessment of their implementation: One additional independent director was elected at the shareholders' meeting 2013, and then the Audit Committee was established. Ten meetings were called in 2014.						

Note 1: For director or supervisor who is a corporation, please specify the corporate shareholder's name and its representative's name.

Note 2: (1) Where a specific director or supervisor may be relieved from duties before the end of the fiscal year, please specify their date of discharge in the 'Remarks' Section. Their actual attendance rate (%) to the Board session shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.

(2) Where an election may be held for filling the vacancies of director or supervisor before the end of the fiscal year, please list out both the new and the discharged directors or supervisors, and specify if they are the former directors or supervisor, or newly elected, re-elected, and also the date of the reelection. Their attendance rate (%) to Board session shall be calculated on the basis of the number of meetings called and the actual number of sessions they attended, during the term of office.

(II) The function of Audit Committee or supervisors' participation in the function of Board of Directors

The Audit Committee held 10 meetings (A) during 2014; the attendance of independent directors is summarized as follows:

Job Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remark
Independent Director	Steve Ruey-Long Chen	9	1	90	
Independent Director	Yun-Peng Chu	9	0	90	
Independent Director	Pan Wen-Yen	6	4	60	
Other notes:					
I. Resolution(s) passed pursuant to Article 14-5 of the Securities and Exchange Act and resolution(s) not passed by the Audit Committee but receiving the consent of two thirds of the board of directors members shall clearly state the meeting date, term, contents of proposal and resolution thereof, opinions of all audit committee members and the Company's handling of said opinions: None					
II. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the independent director's name, contents of the motion and resolution thereof, reason for not voting and actual voting counts: None					
III. Communication between independent director and internal auditing officers as well as CPAs on company finances and business situation (such as items discussed, means of communication and results, etc.) None					

Note:

- * Where an independent may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks' Section. His/her actual attendance rate (%) to the Board session shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office .
- * Where an election may be held for filling the vacancies of independent director before the end of the fiscal year, please list out both the new and the discharged independent directors and specify if they are the former independent directors, or newly elected, re-elected, and also the date of the reelection. Their actual attendance rate (%) to Board session shall be calculated on the basis of the number of meetings called and the actual number of sessions they attended, during the term of office.

(III) Status of Corporate Governance, and any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
I. Conformity to the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and disclosure of Corporate Governance Best-Practice Principles		✓	The company has not established its own corporate governance principles, but is being drafted.	The company and its subsidiaries haven't established such principles, but a draft is in progress. The principles of corporate governance is implemented in the company's internal control systems.
II. Equity structure and shareholders' equity				
(I) Internal procedures for suggestions, questions, disputes and litigation from shareholders.	✓		In consideration of compliance with laws and the Company's Articles of Incorporation, the Company respects the suggestions from shareholders and evaluates and processes with the same care, in the hopes of fulfilling shareholders' interests and rights. The Company also established a spokesman system to ensure shareholders' interests and rights via the response and communication system, and also set up the communication platform for investors on its website to deal with suggestions, questions, disputes or inquiries from shareholders.	No deviation
(II) Control over the list of major shareholders and the controlling parties of such shareholders	✓		The Company submits the report as required based on the information updated and made available by directors, managerial officers and major shareholders from time to time. The Company established the Shareholder Services Office in 2012 to deal with the shareholders' affairs, and controlled the distribution of major shareholders' equity and changes in equity of the controlling party of the major shareholders. Conformity to the Article 13 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies.	No deviation
(III) Establishment and implement of risk control mechanism and firewall between	✓		The assets, liabilities, financial management responsibilities between the Company and its affiliates were all handled in accordance with the relevant laws and the Company's internal control system.	No deviation

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
the Company and its affiliates			Conformity to the Article 14 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies.	
(IV) Internal regulations prohibiting insider trading	✓		Article 10 of the company's Guiding Rules of Moral Behaviors prohibits insider trading.	No deviation
III. Organization of the Board and its duties				
(I) Establishment and implement of guidelines for diversity of the composition of the board of directors	✓		All members of the board have the knowledge, skills, and experiences necessary to perform their duties for the achievement of corporate governance. Conformity to the Article 20 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies	No deviation
(II) Other functional committees other than a remuneration committee or audit committee required by laws		✓	The company is planning to establish a nomination committee and risk management committee.	The company is also planning to establish functional committees in conformity to Article 27 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
(III) Rule establishment and annual assessment of performance of the Board of Directors		✓	No relevant rules or assessment	The company is planning to establish rules and assess performance of the Board of Directors annually in conformity to the Article 37 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies.
(IV) Regular review and assessment of the impartiality and independence of the	✓		The Company's external auditor is an internationally reputable accounting firm. The Board of Directors assess and retain the external auditor periodically per year. Meanwhile, the Company shall rotate CPAs as	No material deviation from the Article 29 of the Corporate

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
external auditor			needed. It was resolved at 33rd meeting of the board of directors of 19th term in 2014 that Chen Jun-Guang was assigned as the Company's new CPA since the third quarter of 2014. The original CPA, Chen Fu-Wei, had certified the Company's financial statements for 7 years. The decision to change CPAs was in accordance with IAS 46 and regulations of securities authorities, and in compliance of risk controls. Conformity to the Article 29 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies	Governance Best-Practice Principles for TSEC/GTSM Listed Companies
IV. Communication channels with stakeholders, establishment of investors' relations office on websites and proper response to stakeholders' concerns of corporate social responsibility	✓		The Company established the spokesman and deputy spokesman system, and also installed the investors' relations office to communicate and negotiate with stakeholders and shareholders. Meanwhile, the Company also established the shareholder services office dedicated to dealing with shareholders' affairs.	No deviation
V. Commission of professional organizations for general meetings		✓	In 2012, the Company established the Shareholders' Service Committee in charge of shareholders' services.	In 2012, the Company established Shareholders' Service Committee in charge of shareholders' services.
VI. Disclosure (I) Establishment of a website for the disclosure of its financial Status and status of corporate governance.	✓		The Company's website fully disclosed the Company's management philosophy, corporate governance, product & business lines and financial information. Conformity to the Article 10 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies	No deviation

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
(II) Adoption of other means for disclosure such as setting up an English website, appointing personnel to gather and disclose relevant information, properly implementing the spokesman system, and posting the meetings minutes with institutional investors on websites	✓		The Company has established the spokesman system and also installed the investors' relations office dedicated to gathering and releasing the Company's messages, and updated the information posted on the website pursuant to the relevant laws periodically, and disclosed important messages from time to time, and linked with TSEC "MOPS" to fulfill the disclosure. Conformity to the Article 10 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies	No deviation
VII. Other important information facilitating understanding of the functioning of corporate governance (such as the state of employees' rights and interests, concerning employees, investor relations, vendor relations, rights of interested parties, continuing education of directors and supervisors, implementation of risk management policy and risk assessment criteria, implementation of customer policy, and liability insurance purchased by the Company for directors and supervisors)	✓		The company has installed the investors' relations office dedicated to gathering and releasing the Company's messages, and updated the information posted on the website pursuant to the relevant laws periodically, and disclosed important messages from time to time, and linked with TSEC "MOPS" to fulfill the disclosure. Directors' annual trainings are disclosed on TSEC "MOPS" to fulfill disclosure requirements. Liability insurance for directors is in accordance with the Article 19 of the Company's Article of Incorporation and the Article 39 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies.	No material deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
VIII. Corporate governance self-assessment reports or corporate governance assessment reports from professional organizations on commission (If yes, please specify Board of Director's comments (or commissioned assessment), major deficiencies (or		✓	The Company did not commission professional organizations for corporate governance assessment reports, but self-assesses its systems and improves the status of corporate governance.	The company has not conducted or commissioned professional organizations for corporate governance reports

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
suggestions) and improvements.) (Note 2)				

Note 1: Reasons for checks of “Yes” or “No” of status should be specified in “Summary Description” column.

Note 2: The “Corporate Governance Self-assessment Report” is for the Company to assess and explain the operation and enforcement in accordance with corporate governance self-assessment categories.

(IV) Establishment, functions, and operations of Remuneration Committee, if any:

According to the Company's Articles of Association for Remuneration Committee, the Committee consists of three members, including one convenor acting as the chairperson and on behalf of the Committee externally. The Company re-elected directors and supervisors and also elected independent directors in June 2012. For the time being, the Remuneration Committee members include one independent director. Independent Director Steve Ruey-Long Chen was elected as the convenor by all of the members.

Functions of the Remuneration Committee:

1. Define and periodically review the performance appraisal on directors and managerial officers and the policy, system, standard and structure of the remuneration.
2. Periodically evaluate and define the remuneration to directors and managerial officers.

The Remuneration Committee shall perform the functions referred to in the preceding paragraph in the following manners:

1. With respect to the performance assessment and remuneration of directors and managerial officers of the Company, it shall refer to the normal pay applicable in the same industry, taking into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure.
2. It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the Company may tolerate.
3. It shall take into consideration the characteristics of the industry and the nature of the Company's business when determining the ratio of bonus payable to directors and managerial officers and the time for payment of the variable part of remuneration.

(1) Information about Remuneration Committee Members

ID (Note 1)	Qualifications <
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Note 1: Please specify director, independent director or others.

Note 2: Respective members who meet the following qualifications 2 years before assumption of office and at the time of assumption office shall put a “✓” in the appropriate space.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates (excluding the capacity of independent director of the Company or its parents, or a subsidiary directly or indirectly held by the Company with more than a 50% stake).
- (3) Not a natural person, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third tier under the Civil Code as specified in (1) through (3).
- (5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
- (6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in a business or financial relationship with the Company.
- (7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provides business, legal, financial and accounting services to the Company or its affiliates or a spouse to the aforementioned persons.
- (8) Not under any of the categories stated in Article 30 of the Company Law.

- Note 3: If the member's identity refers to a director, please specify whether Paragraph 5 of Article 6 of the Regulations on the Establishment of Remuneration Committees by TWSE/GTSM Listed Companies and their Exercise of Powers is met.
- Note 4: Gao Kong-Lian was elected member of Remuneration Committee at 27th meeting of the board of directors of 19th term by the Board of Directors. The term of office commences from June 5, 2014 until June 29, 2015 (at the same time when the term of office of the board member of this term expires).

(2) Information about status of Remuneration Committee

1. The Company's Remuneration Committee consists of 3 members.
2. Current term of office:

The 2nd term of office commences from June 30, 2012 until June 29, 2015 (at the same time when the term of office of the board member of the 19th term expires)

The Committee held 2 meetings (A) in 2014, and the attendance of the Committee members is summarized as follows:

Job Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remark
Convenor	Ruey-Long Chen	2	0	100	
Member	Lian-Sheng Tsai	1	0	50	Discharged on March 20, 2014
Member	Chen Sung-Yong	2	0	100	
Member	Gao Kong-Lian (Note 3)	1	0	50	Appointed on June 5, 2014. The term of office commences from June 30, 2014 until June 29, 2015. The actual attendance rate was 100%.

Other notes:

- I. If the board of directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the board of directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration ratified by the board of directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): None
- II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, and opinions of all members and the Company's handling of said opinions: None.

Note:

- (1) Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks' Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.
- (2) Where an election may be held for filling the vacancies of committee member before the end of the fiscal year, please list out both the new and the discharged committee members, and specify if they are former members or newly elected, re-elected, and also the date of the reelection. Their actual attendance rate (%) to committee meetings shall be calculated on the basis of the number of meetings called and the actual number of meetings they attended, during the term of office.
- (3) Gao Kong-Lian was elected member of Remuneration Committee at 27th meeting of the board of directors of 19th term by the Board of Directors. The term of office commences from June 5, 2014 until June 29, 2015 (at the same time when the term of office of the board member of this term expires).

(V) Implementation of Corporate Social Responsibility:

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
I. Implementation of corporate governance				
(I) Policy of corporate social responsibility and review on results of implementation	✓		The Company established a “Corporate Social Responsibility Committee.” With the establishment of the committee, coordination and integration of different departments is enabled for sustainable development. The operating framework of the committee is divided into 3 sections - the “Management & Governance Team”, “Social Relations Team” and the “Sustainable Environment Team.” Also, an Executive Secretariat is appointed and is dedicated to the execution and promotion of the committees’ related affairs. The company has established its own corporate social responsibility guidelines, which is submitted to the chairman and subject to the board of directors and audit committee for a resolution.	Conformity to Article 4 of the Principles
(II) Periodical education of social responsibility	✓		The company annually promotes or conducts education about social responsibility, which is focused on the economic, environmental and social issues generated by operating activities.	Conformity to Article 8 of the Principles
(III) Promotion of social responsibility by the Company’s full-time (part-time) functional units, Handling by and reports to Board of Directors	✓		The Company established a “Corporate Social Responsibility Committee” in September, 2013. The General Manager acts as the chairman, and three vice presidents are in charge of supervising the three teams responsible for corporate social responsibility-related programs.	Conformity to Article 7 of the Principles
(IV) Policy of reasonable salaries, combination of staff performance evaluation and social responsibility systems, and establishment of reward and punishment system	✓		The company’s incentive plans has a reasonable salary plan, as well as integrates a staff performance evaluation system, corporate social responsibility system and national labor policy. The company has established a distinct and effective reward and penalty system on personnel management.	Conformity to Article 9 of the Principles
II. Development of a sustainable environment				
(I) Striving to raise resource usage effectiveness, reduce environmental impact and improve use of recyclable materials	✓		In addition to use of recycled paper and classification & recycling of waste, the Company is also dedicated to upgrading the utilization of various production resources and the production rate, and reducing relative waste. The Company would also report and discuss production efficiency in the management meeting on a monthly basis to ensure control	Conformity to Article 12 of the Principles

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
(II) Establishment of an environmental management system appropriate to the characteristics of its industry.	✓		over the utilization of various resources. The Company's environmental management system was established in accordance with ISO 14001, and certified by a third certification entity, (e.g. Bureau of Standards, Metrology & Inspection, M.O.E.A.).	Conformity to Article 13 of the Principles
(III) Environmental management units and staff dedicated to improving environmental performance	✓		1. The Company and its subsidiaries were all mindful of the impact of climate change on their operating activities. The three plants subordinated to the Company have also entrusted a competent certification company to complete a survey on the emission of the Company's greenhouse gases under ISO 14064-1, and also received the relevant certificate. The Company has set the objective for energy saving and carbon reduction and reduction of greenhouse gases by 2% each year accordingly, and audited the implementation thereof. 2. In order to boost the reduction of greenhouse gases, the Company worked with their neighbor, CSC, to boost the integration of regional energies to upgrade the utilization of energy and resources, reduce emission of pollution, and fulfill corporate social responsibilities.	Conformity to Article 17 of the Principles
III. Social welfare				
(I) Management policy and procedure in accordance with relevant regulations, laws and the International Bill of Human Rights	✓		The Company established work rules in accordance with the relevant labor laws to protect employees' legal interests and rights. The rules were approved by the city government for future reference.	Conformity to Article 18 of the Principles
(II) Establishment of employee complaint channels and proper handling	✓		The company provides effective and proper complaint channels regarding violation of labor rights and interests to ensure the process of complaints equal and transparent.	Conformity to Article 18 of the Principles
(III) Safe and healthy work environment, and regular employee safety and health education	✓		1. The Company established a health and safety management system in accordance with the TOSHMS/CNS 15506 and OHSAS 18001 boosted by Council of Labor Affairs, Executive Yuan, which was also certified by a third certification entity (e.g. Bureau of Standards, Metrology & Inspection, M.O.E.A.).The Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education	Conformity to Article 20 of the Principles

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
			measures.	
(IV) Establishment of the mechanism for periodic communication with employees, and notification to employees of the circumstances which might materially affect the operation in a reasonable manner	✓		2. The Company has been dedicated to providing health care services to employees, including full-time resident physicians and nurses. The factory premises were equipped with an infirmary, and each site was equipped with emergency medical facilities. The Company also arranges annual physical examinations for all employees, and provide them with relevant health instructions and education. 1. The three plants have established their own labor-employee committees. Meanwhile, a corporate labor-employee committee was established throughout the Company, which convened a meeting once every three months. All of the resolutions made at the meeting were executed upon being reviewed and approved. The Company would also communicate important messages to employees via the computer network and emails. 2. The representative acting on behalf of the labors in the employee-labor committee shall be elected by the labor union.	Conformity to Article 22 of the Principles
(V) Plans of effective career and capacity development	✓		The company creates a friendly environment for employees' career, and provides them with effective capacity training programs so as to enrich employees with professional and management skills.	Conformity to Article 21 of the Principles
(VI) Establishment of policies protecting consumer rights and interests and complaint platforms based on R&D, purchase, production, operation and service procedures	✓		The company's purchase, production, operation and service procedures shall ensure transparency and security of its products and service and implementation in operating activities.	Conformity to Article 23 of the Principles
(VII) Marketing and labeling of products and service in accordance with relevant laws and international standards	✓		The company's products are marked in accordance with relevant laws and international standards.	Conformity to Article 24 of the Principles
(VIII) Evaluation of suppliers with environmental and social impacts before cooperation	✓		Prior to business dealings, the company would evaluate if suppliers have records of environmental and social impacts in order to prevent transactions with companies that violate its corporate social responsibility policy.	Conformity to Article 26 of the Principles

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
(IX) Contracts including terms of rights to terminate or rescind a contract at any time when suppliers violate its social responsibility policy and cause major impacts on the environment and the society	✓		When signing contracts, the Company would ensure both sides comply with its social responsibility policies and include terms of rights to terminate or rescind a contract at any time when suppliers violate its social responsibility policy and cause major impacts on the environment and the society.	Conformity to Article 26 of the Principles
IV. Strengthening information disclosure (I) Disclosure of information related to the relevance and reliability of the company's commitment to corporate social responsibility on its website or on TSEC "MOPS"	✓		The Company published the "2013 CSR Report" in August 2014, to be prepared based on GRI G4 and AA1000, and submit the same to a third party certification organization to ensure the credibility and impartiality of the CSR report. Prior to publishing the report, the Company would install the CSR exclusive zone on its website, announce the CSR-related issues, and provide stakeholders with information about feedback channels.	Conformity to Articles 28 and 29 of the Principles
V. If the Company has established its own corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: China Petrochemical Development Corporation and its three factories volunteer to hold social welfare activities in promoting our business strategy of corporate social responsibility. The activities include donations to remote schools, adoption of the social education center in Xiaogang District, visit by schools (Toufen Plant visited by National Taiwan University - Chemical Engineering), promotion of an industrial pollution control programs with National Kaohsiung Marine University.				
VI. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: The Company's Welfare Committee will organize the employees' travels periodically to keep employees healthy, both physically and mentally. Co-sponsors environmental protection workshops, e.g. organization of the Environmental Protection Administration Soil and Groundwater Environmental protection Law & Regulation System and Technology Workshop (visit to An-Shun Site), and support and sponsorship of the Cross-Strait Environmental Protection Meeting organized by National Sun Yat-sen University-Penghu Forum				
VII. Verification of Company products or the Corporate Social Responsibility Report according to the standards of relevant certifying organizations, if any: The "2013 CSR Report" was prepared based on GRI G4 and AA1000, and submitted to a third party certification organization, SGS, to ensure the creditability and impartiality of the CSR report.				

Note 1: Reasons for checks of "Yes" or "No" of status should be specified in "Summary Description" column.

(VI) Corporate observance of ethical business practices and adopted measures

1. Implementation of ethical business practices

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
I. Establish ethical business policies and programs				
(I) The Company has the ethical business policy expressed explicitly in the Company's regulations and external documents, as well as the active implementation committed by the board of directors and management.	✓		The "CPDC Ethical Business Best-Practice Principles" and "CPDC Ethical Conduct Best-Practice Principles" were ratified at the meeting of the board of directors on May 15, 2012, in order to implement corporate governance. For implementation thereof, the "CPDC Ethical Business SOP and Conduct Guidelines" were promulgated via CPDC Tsung-Kuan-Jen No. 2013040027 dated April 25, 2013, and "CPDC Ethical Conduct Best-Practice Principles at Each Level and Program Thereof" was promulgated via CPDC Tsung-Kuan-Jen No. 2013040028 dated April 25, 2013, in order to develop and execute the program, implement and ensure an ethical business policy.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies
(II) Prevention program for unethical behavior regulated by the Company, as well as the carrying out of operating procedures, behavior guidelines, discipline of violation and complaint system, and implementation of the program.	✓		According to Article 16 of the Company's "CPDC Ethical Business SOP and Conduct Guidelines", the Company announced its ethical business policy to the public, and disclosed its ethical business policy in its internal regulations, annual reports, website or other promotional materials. The Company would also announce the policy in such public events as product presentation or investor conferences in a timely manner, so as to enable its suppliers, customers or other relevant entities and staff to clearly comprehend its ethical business philosophy and regulations.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
(III) Prevention manners for business activities with a high risk of unethical behavior within the scope of their business listed in Paragraph 2 of the Article 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies	✓		The Company prepared the “CPDC Ethical Business SOP and Conduct Guidelines” as required, and also announced its ethical business policy, established the ethical business evaluation prior to creation of the business relations, explained the ethical business policy to trading counterparts, avoided trading with unethical business operators, and precisely implemented the ethical business clauses defined in contracts, according to said SOP and Guidelines. Meanwhile, the Company should organize the ethical business education & training program or propagation for the Company’s staff at least once a year, to enable the staff to fully comprehend the Company’s determination to implement the Company’s ethical business, the Company’s ethical business policy, prevention measures, and consequence for commitment of unethical conduct.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies
II. Implement ethical business				
(I) Evaluation of individuals that have a record of unethical behavior and regulation of the ethical code of conduct in the business contract.	✓		When entering into a contract with another party, the Company should verify the overview of the other party’s ethical business and would expressly state, at least, the following terms in the contract by including ethical business into the contract terms and conditions: 1. If either party is involved in any unethical conduct in business activities, the other party may terminate or rescind the contract unconditionally. 2. Define definite and reasonable payment terms, including place of payment, mode thereof, and the relevant taxation laws and regulations to be met, et al.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies
(II) Promotion of ethical business by the Company’s full-time (part-time) functional units subject to Board of Directors, and regular reports of status of	✓		The Company established the Legal Affairs Center and HR Division to boost the ethical business. Meanwhile, the HR Division should handle the amendments to and execution, interpretation and consultation services of the SOP and Conduct Guidelines and documentation of the contents of reporting, which should be executed by the Audit Office and reported to the board of directors periodically.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
the supervision to Board of Directors				
(III) The implementation of the Company's prevention of interest conflict policy and the appropriate reporting channel	✓		If any employee subject to punishment considers that the Company's response action could be unfair and thereby infringe his/her legal interest and right, he/she may file a complaint, as remedy, in accordance with the "CPDC Guidelines for Dealing With Employees' Complaints."	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies
(IV) The implementation of the Company's effective accounting system and internal control system for the implementation of ethical business, as well as periodical audits by internal auditors or committed accountants	✓		The Company has already defined an effective accounting system and internal control system, and also executed and implemented the same as required. The Company will have the audit department conduct the audit periodically and report the audit result to the board of directors.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies
(V) Periodical education and training of ethical business	✓		The Company provides guidance of the "CPDC Ethical Business Best-Practice Principles" and "CPDC Ethical Conduct Best-Practice Principles" for directors for at least once a year, in order to implement corporate governance. In addition, the Company assigns lecturers from the legal department to provide guidance of the "CPDC Ethical Business Best-Practice Principles" and "CPDC Ethical Conduct Best-Practice Principles" for employees.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies
III. The operation of reporting system				

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
(I) Specific reporting and reward systems, reporter friendly channels and representative assigned to deal with the reporting issues	✓		The Company has already included the ethical business into employees' performance appraisal and HR policy, and established clear and valid reward & penalty and complaint systems. The Company's staff who materially violate the ethical business conduct shall be disciplined in accordance with "CPDC Worker Reward & Penalty Enforcement Rules". If any employee subject to punishment considers that the Company's response action should be unfair and thereby infringes his/her legal interest and right, he/she may file a complaint, as a remedy, in accordance with the "CPDC Guidelines for Dealing With Employees' Complaints." Job title and name of the Company's staff who violates the ethical business conduct, if any, and date of violation, details about the violation and status of response to the violation, will be disclosed on the intranet. For the time being, no discipline or complaint is imposed or filed pertaining to the violation of ethical business.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies
(II) SOP and security mechanism for reporting	✓		According to Article 11 of CPDC Ethical Conduct Best-Practice Principles, the Company would handle reported cases in bcc form and do best to protect the whistleblower's information security. Threats or revenge against whistleblowers are not allowed.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies
(III) Protection of whistleblower from improper discipline	✓		According to Article 11 of CPDC Ethical Conduct Best-Practice Principles, the Company would handle reported cases in bcc form and do best to protect whistleblower's information security. Threats or revenge against whistleblowers are not allowed.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies
IV. Disclosure of ethical business principals and implementation results on its website or TSEC "MOPS"	✓		The information posted on the Company website would be updated from time to time subject to the amendments made by the competent authority. The internal regulations would be amended and updated from time to time and the importance thereof would be propagated with due diligence. The "investor relations" section was also set up on the website to update the Company's internal important information and financial information, and install the contact method available for investors' suggestions and comments.	Conformity to Ethical Business Best-Practice Principles for the TWSE/GTSM Listed Companies
V. If the Company has established its own ethical business principles based on "Ethical Business Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: No discrepancy.				
VI. Other important information regarding the Company's ethical business (e.g., reviewing and amending the Company's ethical business principles): According to the Company's Ethical Business Principles, the Company promulgated the "CPDC Ethical Business SOP and Conduct Guidelines" via CPDC Tsung-Kuan-Jen No. 2013040027 dated April 25, 2013, and also implemented the ethical business policy as defined. The subsidiaries				

Assessment Item	Status (Note 1)			Deviation from the Corporate Governance Best-Practice Principles for the TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary Description	
have not yet defined their own ethical business principles. Notwithstanding, they will implement the same, step by step, by taking into consideration the current overview and relevant laws & regulations.				

2. Adopted measures

The Company has defined a “fair trade policy” in the first paragraph of the “Business Conduct Policy”, in order to enable the public interest to deserve the best protection under fair competition if no collusion or conspiracy is created among competitors. The Fair Trade Act benefits maintenance of various economic, political and social groups. The Company’s Administration Dept. has restated its confidence in all philosophies under fair trade. Therefore, under the principle encouraging to seek profit through legal and valid means, any acts of the Company are conducted pursuant to laws.

For the sake of ethical business and sustainable development, the Company complies with laws and regulations and social requirements, and insists on fulfilling its corporate social responsibility. In order to enable customers to get high-quality products, the Company always performs the prepared quality control procedure during acquisition of raw materials, storage, production and output. The Company has realized that pursuing more excellent product quality would be the best weapon against strong competitors in the world and also support the Company’s ethical business perfectly. Therefore, the Company has successively implemented multiple comprehensive quality control movements earlier, such as “5S”, “TPM”, “TQM”, “HAZOP” and “SHAPE-UP”, and received the certification

under ISO9002 from Bureau of Standards, Metrology & Inspection, M.O.E.A. in 1997 and the certification under ISO14001 from Bureau of Standards, Metrology & Inspection, M.O.E.A. in 1998.

(VII) Please disclose access to the Company's Corporate Governance Best Practice Principles and related rules and regulations, if any:

1. The Company prepared the relevant regulations and status thereof according to the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies", and disclosed the following important regulations or status thereof on the Company's website:
 - (1) Articles of incorporation
 - (2) Rules Governing the Proceedings of Shareholders' Meeting
 - (3) Rules Governing Duties and Responsibilities of Independent Directors
 - (4) Rules for Election of Directors
 - (5) Rules Governing Review of Information about Directors
 - (6) Parliamentary Rules of Directors' Meeting
 - (7) Continuing education of directors/supervisors
 - (8) Articles of Association for Audit Committee
 - (9) Articles of Association for Remuneration Committee
 - (10) Organization and implementation of internal audit
 - (11) Employees' Business Conduct Policy
 - (12) Guiding Rules of Moral Behaviors
 - (13) Ethical Corporate Management Best Practice Principles
 - (14) Internal Important Information Processing SOP
 - (15) Spokesman and Deputy Spokesman SOP

- (16) Procedures for Loans, Endorsements, and Guarantees
 - (17) Procedures for the Acquisition or Disposal of Assets
 - (18) Receivable Accounts Assessment Policy
 - (19) Registration Procedures for Attending Shareholder Meetings
2. Access to the Company website at <http://www.cpdcc.com.tw>, where the information about the Company's finance and corporate governance is disclosed.

(VIII) Other information enabling better understanding of the Company's corporate governance:

1. The "Internal Important Information Processing SOP" prepared in order to manage the Company's internal important messages has been communicated to all directors, managerial officers and employees, and the SOP and note thereto were posted on the Company's intranet to be bound by all employees to prevent any violations of laws and regulations.
2. The directors' manual and notes to securities market will be downloaded and distributed to each director of the Company who is newly elected. Meanwhile, the latest manual for insider's equity exchange prepared by TWSE and the Company's important regulations will also be distributed to such insiders as directors and managerial officers.

3. Continuing education of directors 2014:

Job Title	Name	Election Date	Date of Continuing Education		Organizer	Class Name	Hours	Whether Continuing Education Complies with Requirements (Note)
			From	Until				
Independent Director	Steve Ruey-Long Chen	2012/06/30	2014/11/26	2014/11/26	Taiwan Corporate Governance Association	Practical Strategies for Merger and Acquisition	3.0	Yes
Independent Director	Yun-Peng Chu	2012/06/30	2014/11/21	2014/11/21	Securities and Futures Development Foundation	Talk on Enterprise's Personal Information Management in Terms of Risk Trend	3.0	Yes
Independent Director	PanWen-Yen	2013/06/28	2014/07/10	2014/07/10	TWSE	2014 Equity Transfer by Insiders of Listed Companies and Legal Compliance Workshop	3.0	Yes
Representative of corporate shareholder	Ching-Jing Sheen	2011/05/16	2014/11/26	2014/11/26	Taiwan Corporate Governance Association	Practical Strategies for Merger and Acquisition	3.0	Yes
Representative of corporate shareholder	Jiun-Nan Bai	2011/10/19	2014/09/30	2014/09/30	Taiwan Securities Association	Talk on Laws regarding Corporate Governance and Challenges and Opportunities of Internationalization of the Service Industry	3.0	Yes
Representative of corporate shareholder	Ko-Ming Lin	2012/07/12	2014/11/26	2014/11/26	Taiwan Corporate Governance Association	Practical Strategies for Merger and Acquisition	3.0	Yes
Representative of corporate shareholder	Jiun-Huei Guo	2012/06/30	2014/11/26	2014/11/26	Taiwan Corporate Governance Association	Practical Strategies for Merger and Acquisition	3.0	Yes
Representative of corporate shareholder	Tsai Lian-Sheng	2012/06/30	2014/11/26	2014/11/26	Securities and Futures Development Foundation	Practical Strategies for Merger and Acquisition	3.0	Yes
Representative of corporate director	Kuen-Ming Lin	2013/08/01	2014/12/12	2014/12/12	Taiwan Corporate Governance Association	Practical Strategies for and Means to Prevent Insider Trading	3.0	Yes

Note: Whether it complies with the hours, scope, system and arrangement of continuing education and information disclosure defined in the "the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies".

4. Continuing education of directors/managerial officers:

The Company invited the Managing Partner of KPMG Law Firm, Mr. Jih Tian-Chang, to teach the Company's directors and managerial officers about the "Practical Strategies for Merger and Acquisition" in November 2014.

Date/Time: 9:00 A.M. ~ 12:00 P.M., November 26, 2014

Topic: Functions of Board of Directors and Appraisal on Performance of Board of Directors

Trainer: Liu, Wen-Cheng (Director, Taiwan Corporate Governance Association)

Name list of directors/managerial officers attending the continuing education programs:

Chairman	Ching-Jing Sheen
Director	Ko-Ming Lin
Director	Jiun-Huei Guo
Director	Lian-Sheng Tsai
Acting President	George Yeh
Vice President	Susan chu
Vice President	Qing Lin
Lead Auditor	Yang Huei-Fan
Assistant Vice President	Steven Chen
Assistant Vice President	Chen Yi-Yan
Manager	Yang Ming-Ling
Manager	Lin Po-Yuan
Specialist	Yeh Ch-Fan

5. M.O.P.S.: <http://mops.twse.com.tw/>

6. The Company website: <http://www.cpd.com.tw> Investor Relations

(IX) Disclosure of internal control system:

1. Internal control declaration

China Petrochemical Development Corporation
Declaration of Internal Control System

March 26, 2015

China Petrochemical Development Corporation (CPDC) had inspected the 2014 internal control system autonomously with the results illustrated as follows:

- I. CPDC is fully aware that the board of directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The internal control system of CPDC is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.
- III. CPDC has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” (referred to as “the Regulations” hereinafter). The criteria defined in “the Regulations” include five elements depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to “the Regulations” for details.
- IV. CPDC has implemented the criteria of the internal control system referred to above to

inspect the effectiveness of internal control system design and implementation.

- V. CPDC based on the inspection result referred to above has concluded that the internal control system (including the supervision and management over the subsidiaries) on December 31, 2014 is reasonably effective in achieving the objectives of operation effect and efficiency, financial report reliability, and compliance.
- VI. The Declaration of Internal Control System is the main content of the Company's annual report and published prospectus. Any falsification and concealment of the published content referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. The Declaration of Internal Control System was resolved in the board meeting with the objection of 0 board directors out of the 9 attending board directors on March 26, 2015. The content of the declaration has been accepted without any objection.

China Petrochemical Development Corporation

Chairman: Ching-Jing Sheen



Acting President: George Yeh



2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: The Company did not commission any CPA to conduct the internal control in 2014.

(X) Punishment of the Company or its internal personnel in accordance with the law, the Company's punishment of its internal personnel for violating internal control system regulations, main deficiencies, and improvements during the most recent year and up to the date of publication of this annual report:

Prepared on April 27, 2015

Date	Entity	Case	Main Deficiency	Improvement	Type of Punishment
2014.02.18	An-Shun Plant	Pollution remediation of An-Shun Plant behind schedule	Environmental Protection Bureau, Tainan City Government inspected An-Shun Plant, and found that the goal of reducing 45% of contaminated area was behind schedule (reduced 36.4% only). Plant failed to implement the remediation plan, and was held to be violating the "Soil and Groundwater Pollution Remediation Act."	"Ocean B" failed to pass the inspection upon completion, and thus didn't reach the remediation goal. The remediation work will be reorganized after review on the execution method.	Fined NT\$200,000 by the competent authority
2014.05.06	Da-Sheh Plant	Failure to keep the aeration tanks airtight and failure to connect the gas gathering system with pollution control equipment	2014.01.24 Environmental Protection Bureau, Kaohsiung City Government inspected wastewater treatment plant, and found that the aeration tanks weren't kept airtight and the gas gathering system didn't connect with pollution control equipment. Plant was held to be violating the "National Emission standard for Hazardous Air Pollutants" and "Air Pollution Control Act."	MC-616A/B/C were constructed improved on July 31, 2014. The detection value of voc was under 30 ppm.	Fined NT\$100,000 by the competent authority
2014.06.13	Da-Sheh Plant	Failure to manage properly with the contractor	2014.05.23 Labor Affairs Bureau, Kaohsiung City Government inspected the storage station at Da-Sheh Plant, and found that the causes of injuries were due to failure to set agreements, coordinate security measures, visit the plant properly, command the dangerous work properly, take necessary measures to prevent occupational injuries properly and execute work contacts and adjustment properly while different groups of laborers filling and removing AN together. Plant was held to be violating the "Occupational Safety and Health Act."	The agreement, coordination and visits regarding working together were improved.	Fined NT\$60,000 by the competent authority

Date	Entity	Case	Main Deficiency	Improvement	Type of Punishment
2014.06.17	An-Shun Plant	Pollution remediation of An-Shun Plant behind schedule	As of 2014.05.20 after the inspection by Environmental Protection Bureau, Tainan City Government, the goal of reducing 71% of contaminated area and 82% of dioxin pollution (reduced only 36.4% and 0% respectively). Plant was held to be violating the "Soil and Groundwater Pollution Remediation Act."	The plant has hurried working on the improvements before the due day of 2016.12.30.	Fined NT\$1,000,000 by the competent authority
2014.06.26	Da-Sheh Plant	Failure to implement emergency response training on transporting Acrylonitrile and hazard prevention	2014.05.26 Environmental Protection Bureau, Kaohsiung City Government inspected wastewater treatment plant, and found that the emergency response training on transporting acrylonitrile and hazard prevention wasn't implemented. Plant was held to be violating the "Toxic Substances Control Act."	1. The third emergency response training was held in late July, 2014. 2. Relevant training courses were included in the 2015 training plan.	Fined NT\$100,000 by the competent authority
2014.08.01	Hsiaokang Plant	Reach of the criterion of flare tower but failure to inform the local competent authority	2014.01.06 M14 at Hsiaokang Plant was under annual maintenance. The flare tower was used at 2 a.m., and reach the criterion of usage at 4 a.m.. The plant didn't report to the local competent authority within an hour as required, and was held to be violating the "Air Pollution Control Act."	Hsiaokang Plant has revised the guidebook and conducted training.	Fined NT\$100,000 by the competent authority
2014.08.29	An-Shun Plant	Trash dumping around area of An-Shun Plant	2014.06.13 Environmental Protection Bureau, Tainan City Government inspected that trash (oyster shells) was dumped on the Company's land (land no. 56-1, Ma-Gong district). An-Shun Plant didn't clean properly and fulfill the maintenance responsibility, and was held to be violating the "Trash Clearance Act."	Oyster shells were cleaned up on 2014.08.28. Regular visits around the area were planned, in prevention of random dumping.	Fined NT\$1,200 by the competent authority
2014.09.02	An-Shun Plant	Pollution remediation of An-Shun Plant behind schedule and failure to complete corrective action within the specified time limit; consecutive fines imposed after each time limit expires	An-Shun Plant didn't meet the requirements enclosed in the official letter dated 2014.02.12 that contaminated area should be reduced by 45% before 2014.03.31.	An administrative appeal was filed.	Fined NT\$600,000 by the competent authority
2014.09.04	Da-Sheh Plant	Inadequate wall barriers and signs for outdoor storage tanks in District AN-E and AN-D	2014.08.14 Fire Bureau, Kaohsiung City inspected and found that the wall barrier of the outdoor storage tank in AN-E was 15 centimeters below the requirement, and the spill dike in AN-D was 50 centimeters below the requirement. Plant was held to be violating the Articles 15 and 42 of the "Fire Services Act."	The deficiencies inspected were all improved.	Fined NT\$40,000 by the competent authority
2014.10.15	An-Shun Plant	Construction of the heat treatment plant at An-Shun Plant behind schedule	2014.09.29 Environmental Protection Bureau, Tainan City Government inspected An-Shun Plant. Construction of the heat treatment plant wasn't completed before 2012.12.31. Plant was held to be violating paragraph 1 of the Article 22 and paragraph 2 of the Article 38 of the "Soil and Groundwater Pollution Remediation Act."	Tainan City Government inspected An-Shun Plant on 2014.11.14, and verified the completion of the heat treatment plant (rotary furnace).	1. Fined NT\$1,000,000 by the competent authority 2. The disposition was revoked by EPA on April 1 st , 2015

Date	Entity	Case	Main Deficiency	Improvement	Type of Punishment
2014.12.05	Da-Sheh Plant	Holes on top of the tanks in District MS-659A	Environmental Protection Bureau, Kaohsiung City Government inspected District MS-659A, and found holes on top of the tanks. Plant was held to be violating the Article 23 of the "Air Pollution Control Act."	Tanks were repaired on the same day.	Fined NT\$100,000 by the competent authority
2014.12.10	Hsiaokang Plant	Improper management while working with the contractor	2014.11.19 The contractor was injured in phenol splashing, and it was inspected by Labor Affairs Bureau, Kaohsiung City Government. Plant was held to be violating paragraph one of the Article 27 of the "Occupational Safety and Health Act."	1. "Guidebook of Clearance Methods for Phenol Pipeline" was established and executed. Training was conducted. 2. Required construction workers to wear proper PPE.	Fined NT\$60,000 by the competent authority
2014.12.30	Hsiaokang Plant	Equipment unit (T-5101AN01) Cyclohexanone concentration beyond the controlled standard	2014.10.6 Environmental Protection Bureau, Kaohsiung City Government inspected Cyclohexanone production equipment, unit T-5101AN01 in M04. The initial detection value of the manhole cover was 22,420 ppm. The net detection value was 2,000 ppm. Plant was held to be violating the Article 4 of the "Volatile Organic Compound Air Pollution Control and Emission Standards" and paragraph 1 of the Article 20 of the "Air Pollution Control Act."	1. Gaps between the water seal tank and tank top were filled with silicon in no time. 2. VOC were effectively recycled as conducting 2015 cleaning work for VOC seal tanks	Fined NT\$100,000 by the competent authority

(XI) Resolutions reached in the shareholder's meeting or by the board of directors during the most recent year and up to the date of publication of this annual report:

(1) Important resolutions made by shareholders' meeting

Type of Meeting	Date	Summary of Motion
Shareholders' Meeting	2014/6/26	1. Recognition of the Company's business report and financial statement 2012. 2. Recognition of the Company's motion for recovery of losses 2013. 3. Ratification of the motion for the amendments to the Company's "SOP for Acquisition or Disposal of Assets" in part. 4. Ratification of the motion for capital increase by issuing the common stock no more than 300 million shares to participate in the issuance of GDRs.

(2) Important resolutions made by the Board of Directors

Type of Meeting	Date	Summary of Motion
Board of Directors	2014/1/22	1. Ratification of the motion for termination of the lease and recall of the land of the waste fish farm in Anshun District, Tainan City.
Board of Directors	2014/2/20	1. Ratification of the motion for acquisition of the land at Port of Harbor for the Company's subsequent development and deposit of the performance bond for Zone A and Zone B of the "Port of Kaohsiung International Container Center 2nd-Phase Construction Project for Petrochemical Oil Products Warehousing Center S12-S15 Wharf Back-Line Land Lease Agreement" with the Port of Kaohsiung and conclusion of the lease.
Board of Directors	2014/3/26	1. Ratification of the Company's individual financial statement and consolidated financial statements 2013. 2. Ratification of the motion for the amendments to the Company's "SOP for Acquisition or Disposal of Assets" in part. 3. Ratification of the motion for capital increase by issuing common stocks no more than 300 million shares to participate in the issuance of GDRs this year based on the same terms and conditions applicable to the capital increase by issuing common shares to participate issuance of GDRs resolved at the general shareholders' meeting 2013. 4. Ratification of the motion for calling the general shareholders' meeting 2014 by the Company on June 26, 2014.
Board of Directors	2014/4/23	1. Ratification of the Company's motion for recovery of losses 2013. 2. Ratification for the application for voluntary discharge by Vice President of Production Dept., Chen Mao-Sheng.
Board of Directors	2014/6/5	1. Ratification of the Company's motion for second issuance of Euro-convertible bonds (ECBs), with total amount of issuance of US\$132 million. 2. Ratification for appointing Gao Kong-Lian as member of the Company's Remuneration Committee.
Board of Directors	2014/8/13	1. Ratification of the motion for the amendments to "Control of Insider Trading" regarding the Company's internal regulations. 2. Ratification for donating NT\$ 10 million to Kaohsiung City Government for reconstruction after a series of gas explosion incidents occurred in Cianjhen District, Kaohsiung.
Board of Directors	2014/9/24	1. Ratification of the motion for the amendments to "Proclamation SOPs for Acquisition or Disposal of Assets" regarding the Company's internal regulations. 2. Ratification of the motion for loss of 260.414 MT of propylene, or NT\$10,446,384 as required to empty propylene pipelines from Cianjhen and Dashe gas stations due to the 2014/7/31 Kaohsiung gas explosion incident. 3. Ratification of the motion for adjustment of the investment project from investing Jiangsu Rudong for the 1st phase to postponing construction of crude benzene hydrogenation and constructing an additional polyamide production line. 4. Ratification of the motion for the "Investment Agreement of Investment in Economic Development Zone in Gulei Port, Zhangzhou City, Fujian Province" signed with Management Committee of Economic Development Zone in Gulei Port.

Board of Directors	2014/10/22	1. Ratification of the motion for the amendments to the Company's "Employee Stock Ownership Plan" and "Employee Stock Ownership Committee" in the Company's Articles of Association in part.
Board of Directors	2014/11/13	1. Ratification of the motion for the amendments to "Regulations for Investments" in part. 2. Ratification for the motion for the issuance of secured ECBs for investing subsidiaries in China.
Board of Directors	2014/11/26	1. Ratification of the motion for the "2015 CPDC Plan." 2. Ratification for the motion for the setup of Wei-Da Petrochemical Development Corporation, a wholly owned subsidiary in China.
Board of Directors	2014/12/31	1. Ratification of the motion for the amendments to the Company's internal control systems, including "the eight steps for internal controls" such as trading and collection of money, ERP systems and other managerial controls. 2. Ratification of the motion for the amendments to the Company's "Enforcement Rules of Internal Audit" and "Self-assessment Procedures for Internal Control." 3. Ratification of the Company's Plan for 2015 Internal Control and Audit." 4. Ratification of the motion for "CPDC Regulations for Personal Information Protection." 5. Ratification of the motion for 2015 operating budget. 6. Ratification of the change in the Company's accountant from Mr. Chen Fu-Wei to Mr. Chen Jun-Guang due to internal rotation at KPMG. 7. Ratification of the motion for changing the accounting policy regarding subsequent measurement of investment properties to fair value model. 8. Ratification of the motion for the "Soil Remediation Plan" for An-Shun Plant and the subsequent remediation work in the following 10 years. The estimated costs are about NT\$1.6 billion and NT\$1.356 billion respectively. 9. Ratification of the motion for changing the accounting policy regarding subsequent measurement of investment properties to fair value model.
Board of Directors	2015/1/28	1. Ratification of calling the general shareholders' meeting by the Company on June 25, 2015. 2. Ratification of the motion for the amendments on "Qualifications for Directors and Supervisors." 3. Ratification of the construction of a hexazinone factory at Tofun Plant and the improvement strategy to enhance the rate of return and payback period. The due date of the project was extended from Q4 2014 to end of July, 2015.
Board of Directors	2015/2/25	1. Ratification of the motion for the amendments on the Company's regulations in part. 2. Ratification of receiving nominations for directors and independent directors and receiving motions from shareholders. 3. Ratification of the nomination list of independent directors and directors nominated by the Board of Directors.
Board of Directors	2015/3/26	1. Ratification of 2014 consolidated and separate financial statements. 2. Ratification of the capital increase by issuing common stocks no more than 500 million shares or capital increase by issuing common stocks to participate in the issuance of GDRs in order to invest in subsidiaries in China, and enhance working capital and capital needs for future development.

		3. Ratification of the nomination list of independent directors and directors resolved at the general shareholders' meeting 2015.
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(3) Important resolutions made by the general shareholders' meeting and resolutions made by shareholders' meetings in 2014

Summary of Motion	Status of Resolutions Made by Shareholders' Meetings
1. Amendments to the Company's "SOP for Acquisition or Disposal of Assets" in part	Amended and Implemented as required by the laws
2. Ratification of the motion for capital increase by issuing common stocks no more than 300 million shares to participate in the issuance of GDRs	Due to the Kaohsiung gas explosion incident occurred in late July, 2014, investors held a conservative attitude towards the petrochemical industry. The stock prices of most petrochemical companies plummeted. As a result, capital increase by issuing common stocks to participate in the issuance of GDRs would do harm to the shareholder's equity. Also, to match the timeline of the investment project, the Company didn't increase capital in this way in 2014.

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board of directors during the most recent year and up to the date of publication of this annual report: None

(XIII) Summary of discharge and resignation of parties relating to the financial report:

April 27, 2015

Job Title	Name	Date of Appointment	Date of Discharge	Cause
None				

Note: The parties relating thereto include the chairman, president, accounting officer, finance officer, internal audit officer and R&D officer

IV. Information About CPA Professional Fee

(I) Breakdown of CPA Professional Fee

Firm Name	CPA Name		Duration of Audit	Remark
KPMG Certified Public Accountants	Chen Mei-Fan	Chen Fu-Wei	Q1 to Q3, 2014	
KPMG Certified Public Accountants	Chen Mei-Fan	Chen Jun-Guang	Q4, 2014	Internal rotation at KPMG

Currency Unit: NTD Thousand

Price Range		Fees	Audit Fees	Non-Audit Fees	Total
1	Less than NT\$2,000 thousand				
2	NT\$2,000 thousand (inclusive)~NT\$4,000 thousand				
3	NT\$4,000 thousand (inclusive)~NT\$6,000 thousand				
4	NT\$6,000 thousand (inclusive)~NT\$8,000 thousand				
5	NT\$8,000 thousand (inclusive)~NT\$10,000 thousand		✓		
6	NT\$10,000 thousand (inclusive) or more			✓	✓

(II) Information about CPA Professional Fee

Currency Unit: NTD Thousand

Firm Name	CPA Name		Audit Fees	Non-Audit Fees				Duration of Audit	Remark
				System Design	Commercial and Industrial Registration	Human Resources	Others		
KPMG Certified Public Accountants	Chen Mei-Fan	Chen Fu-Wei	4,720				12,030	Q1 to Q3, 2014	The other titles refer to reviews on convertible bonds and the independent auditor's report.
KPMG Certified Public Accountants	Chen Mei-Fan	Chen Jun-Guang	5,090				940	Q4, 2014	The other titles refer to reviews on of the investment property report and annual reports

KPMG Certified Public Accountants					300		650		Consultative services for transfer pricing tax
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1. Non-audit fees paid to the CPA, CPA firm and their affiliates exceeded the audit fees in excess of twenty-five percent: Yes
2. Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons for the change: None
3. Audit fees were 15% less than that of the previous year: None

V. Information About Replacement of CPA

(I) Regarding former CPAs

Date of replacement	November 20, 2014		
Reasons for replacement and description	Internal rotation at KPMG		
Description of the appointer’s or accountant’s voluntary discharge or not accepting appointment		Accountant	Appointer
	Voluntary discharge	Yes	
	Does not accept (further) appointment		
Non-qualified opinion by independent auditor's reports of for the last two years	None		
Disagreement of with the issuer	Yes		Accounting principles or practices
			Disclosure of financial reports
			Scopes or steps of audit
			Others
	No	✓	
Other disclosure items (Items listed in the Item 4 of the Subparagraph 1 of the Paragraph 5 of the Article 10 of this Standard should be disclosed)	Description		
	None		

(II) Regarding successive CPAs

Firm Name	KPMG
CPA Name	Chen Mei-Fan and Chen Fu-Wei
Date of Appointment	November 20, 2014
Advice on accounting policies regarding specific trading and potential results of independent auditor's report	None
Successive CPAs written comments on disagreements to former CPAs	None

(III) Successive CPAs advise on items listed in the Item 4 of the Subparagraph 1 of the Paragraph 5 of the Article 10 of this Standard attached in replied letters: Not applicable

VI. Information About Chairman, President, and Financial or Accounting Manager of the Company Who Has Worked with the CPA Firm Which Conducts the Audit of the Company or Affiliate to Said Firm in the Most Recent Year

None

VII. Any transfer of equity interests and pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent in the most recent year and up to the date of publication of the annual report.

Change in equity of directors, managerial officers, and major shareholders

Job Title (Note 1)	Name	2014		Ending April 27	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	The Core Pacific Co., Ltd.	0	(2,892,500)	0	(7,000,000)
Chairman Institutional representative of The Core Pacific Co., Ltd.	Ching-Jing Sheen (also CEO)	0	0	0	0
Vice Chairman	BES Machinery Co., Ltd.	2,680,000	0	0	0
Vice Chairman Institutional Representative of BES Machinery Co., Ltd.	Jiun-Nan Bai	0	0	0	0
Director	Sheen Chuen-Chi Cultural and Educational Foundation	0	0	0	0
Director Institutional Representative of Sheen Chuen-Chi Cultural and Educational Foundation	Lian-Sheng Tsai	0	0	0	0
Director Institutional Representative of Sheen Chuen-Chi Cultural and Educational Foundation	Kuen-Ming Lin	0	0	0	0
Director	Jen Huei enterprise Co., Ltd.	0	(9,600,000)	0	0
Director Institutional Representative of Jen Huei enterprise Co., Ltd.	Ko-Ming Lin (also Special Assistant of CEO)	0	0	0	0
Director Institutional Representative of Jen Huei enterprise Co., Ltd.	Jiun-Huei Guo	0	0	0	0
Director	Yu-Lun Ou	0	0	0	0
Independent Director	Steve Ruey-Long Chen	0	0	0	0
Independent Director	Yun-Peng Chu	0	0	0	0
Independent Director	Pan Wen-Yen	0	0	0	0

Job Title (Note 1)	Name	2014		Ending April 27	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
President	George Yeh (Acting President)	0	0	0	0
Vice President	Janson Yu (and also the financial and accounting officer)	0	0	0	0
Vice President	Lin Ching (Appointed on February 13, 2014)	0	0	0	0
Vice President	Susan Chu	0	0	0	0
Vice President and also Special Assistant	Liu Hsiang-Kuo	0	0	0	0
Vice President	Chen Mao-Sheng (Discharged on May 1, 2014)	0	0	0	0
Assistant Vice President and also Special Assistant	Huang Tien-Hsun	0	0	0	0
Assistant Vice President	Yang Huei-Fan (new Lead Auditor)	0	0	0	0
Project Assistant Vice President	Hsu Wan-Chuan (Discharged on April 2, 2015)	0	0	0	0
Assistant Vice President	Chang Wen-Huei (Discharged on March 1, 2014)	0	0	0	0
Assistant Vice President	Liu Yong-Fu (Appointed on September 1, 2014)	0	0	0	0
Project Assistant Vice President	Chi-Chun Chia	(95,000)	0	0	0
Assistant Vice President	Steven Chen	0	0	0	0
Assistant Vice President	Matthew Fu	0	0	0	0
Manager (Foreman of Da-Sheh Factory)	Lee Ming-Hung (Discharged on May 19, 2014)	0	0	0	0
Manager (Foreman of Da-Sheh Factory)	Chen Yuan-Long (Appointed on May 19, 2014)	0	0	0	0
Manager (Foreman of Tou-Feng Factory)	Chien-hsien Li	0	0	0	0
Manager (Foreman of Hsiaokang Factory)	Jen Wei	0	0	0	0

Job Title (Note 1)	Name	2014		Ending April 27	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Senior Specialist (assistant vice president and equivalents)	Chang San-Mu	0	0	0	0
Senior Specialist (assistant vice president and equivalents)	Chen Yi-Yen	0	0	0	0
Senior Specialist (assistant vice president and equivalents)	Su Shih-Sheng	0	0	0	0

Note 1: The shareholders who hold more than 10% of the Company's shares shall be identified as major shareholders and stated separately.

Note 2: Where the counterparts of shares through transfer and pledged under lien are related parties, it is also necessary to complete the following table.

Information about Equity Transfer

Name (Note 1)	Cause (Note 2)	Date	Trading Counterpart	Relationship between trading counterpart and the Company, directors, supervisors and shareholders who hold more than 10% of the Company's shares	Quantity	Trading Value
None						

Note 1: Please specify the names of directors, supervisors, managerial officers, and shareholders who hold more than 10% of the Company's shares.

Note 2: Please specify acquisition or disposal.

Information about Equity Pledged Under Lien

Name (Note 1)	Cause (Note 2)	Date of Change	Trading Counterpart	Relationship between trading counterpart and the Company, directors, supervisors and shareholders who hold more than 10% of the Company's shares	Quantity	Ratio of Shareholding	Ratio of Pledge	Pledged (redeemed) Value
None								

Note 1: Please specify the names of directors, supervisors, managerial officers, and shareholders who hold more than 10% of the Company's shares.

Note 2: Please specify pledge or redemption.

VIII. Information about the relationship among the Company's 10 largest shareholders:

April 28, 2014

Name (Note 1)	Own Shareholding		Current Shares Held by Spouse or Children of Minor Age		Total Shareholding Under the Name of A Third Party		Information on top 10 shareholders in proportion of shareholdings, who are related to one another, or are kin at the second tier under the Civil Code related to one another, their names and relationship(Note 3)		Remark
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Designation (or Name)	Relationship	
Fubon Life Assurance Co., Ltd.	91,500,000	3.94%	0	0	0	0	None	None	
Representative: Cheng Ben-Yuan	0	0	0	0	0	0	None	None	
The Core Pacific Co., Ltd.	39,285,806	1.69%	0	0	0	0	BES Engineering Corporation	Substantial related party	
Representative: Ran Sheng-Yuan	223,467	0.01%	0	0	0	0	None	None	
BES Engineering Corporation	38,775,000	1.67%	0	0	0	0	The Core Pacific Co., Ltd. Core Pacific-Yamachi Account at HSBC BES Machinery Co., Ltd.	Substantial related party	
Representative: Sheen Ching-Jing	0	0	0	0	0	0	Representative of BES Machinery Co., Ltd., Sheen Ching-Guang	Brothers	
Hong Chao-Shun	34,981,000	1.51%	0	0	0	0	None	None	
Core Pacific-Yamachi Account at HSBC	33,339,570	1.44%	0	0	0	0	BES Engineering Corporation	Substantial related party	
Representative: N/A	-	-	-	-	-	-			
Vanguard Star Vanguard Total International Stock Index at Chase Bank	17,162,647	0.74%	0	0	0	0	None	None	
Representative: N/A	-	-	-	-	-	-			
BEM Machinery Co., Ltd.	16,566,043	0.71%	0	0	0	0	BES Engineering Corporation	Substantial related party	
Representative: Shen Ching-Guang	750	0.00%	0	0	0	0	Representative of BES Engineering Corporation, Sheen Ching-Jing	Brothers	
Jen Huei Enterprise Co., Ltd.	16,123,959	0.70%	0	0	0	0	None	None	
Representative: Cheng Tze-Chun	0	0	0	0	0	0			
Employee Share Ownership Trust Account at	14,176,352	0.61%	0	0	0	0	None	None	

Name (Note 1)	Own Shareholding		Current Shares Held by Spouse or Children of Minor Age		Total Shareholding Under the Name of A Third Party		Information on top 10 shareholders in proportion of shareholdings, who are related to one another, or are kin at the second tier under the Civil Code related to one another, their names and relationship(Note 3)		Remark
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Designation (or Name)	Relationship	
CTBC Bank									
Representative: Yang Shu-Hui	0	0	0	0	0	0			
Polunin Developing Country Fund Investment Account at Deutsche Bank	12,635,000	0.54%	0	0	0	0	None	None	
Representative: Not applicable	-	-	-	-	-	-			

Note 1: The top ten shareholders' names shall be identified separately (in the case of corporate shareholders, the corporate shareholders' names and representatives' names shall be identified separately).

Note 2: The ratio of shareholding is calculated in terms of own shareholdings, shares held by spouse & children under age or shareholdings under the title of a third party.

Note 3: The shareholders identified above include juristic persons and natural persons, and the relationship among them shall be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

IX. Ratio of Combined Shareholding

Date: December 31, 2014; Unit: shares; %

Investee	Invested by the Company		Invested by directors, supervisors, management, and enterprises controlled by the Company directly or indirectly		Combined Investment	
	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding	Quantity	Ratio of Shareholding
Chemax International Corporation	16,000,000	100%	0	0%	16,000,000	100%
Tao Zhu Construction & Development Co., Ltd.	10,000,000	100%	0	0%	10,000,000	100%
CPDC Investment (BVI) Co., Ltd.	26,580,000	100%	0	0%	26,580,000	100%
CPDC Engineering Corp.	15,000,000	100%	0	0%	15,000,000	100%
Tsou Seen Chemical Industries Corporation	75,000,000	100%	0	0%	75,000,000	100%
Taivex therapeutics Corporation (Note 1)	24,449,325	79.51%	0	0%	24,449,325	79.51%
Rich Equities Ltd.	180,000	100%	0	0%	180,000	100%
Unichem Development Limited	78,132,979	100%	0	0%	78,132,979	100%
Chung Hua Shuang Tzu Hsing Kai Fa Co., Ltd.	200,000,000	90.87%	100,000	0.005%	200,100,000	90.91%
CKS Guard	1,440,000	24%	0	0%	1,440,000	24%
Taiwan Chlorine Industries Ltd.	6,400,000	40%	0	0%	6,400,000	40%
Kaohsiung Monomer Co., Ltd.	20,000,000	40%	0	0%	20,000,000	40%
Praxair Chemax Semiconductor Materials Co., Ltd.	9,455,778	49%	0	0%	9,455,778	49%

Note 1: Taivex therapeutics Corporation was reinvested by Tsou Seen Chemical Industries Corporation.

Four. Status of Fund Raising

I. Capital Stock and Shares

(I) Source of Capital Stock

Year and Month	Issuing Price	Authorized Capital Stock		Paid-in Capital		Remark		
		Quantity	Amount	Quantity	Amount	Source of Capital Stock	Offset by any property other than cash	Others
1969/04	100	8,000,000	800,000,000	8,000,000	800,000,000	Fund raising in cash	None	
1980/05	100	25,000,000	2,500,000,000	25,000,000	2,500,000,000	Capital increase in cash	None	
1983/02	10	800,000,000	8,000,000,000	630,140,000	6,301,400,000	Capital increase in cash Capital increase upon consolidation	None	
1983/11	10	800,000,000	8,000,000,000	748,724,700	7,487,247,000	Capital increase in cash Capital increase upon consolidation	None	
1984/02	10	890,000,000	8,900,000,000	823,058,900	8,230,589,000	Capital increase upon consolidation	None	
1985/10	10	890,000,000	8,900,000,000	846,878,900	8,468,789,000	Capital increase in cash	None	
1986/07	10	890,000,000	8,900,000,000	856,878,900	8,568,789,000	Capital increase in cash	None	
1991/05	10	1,100,000,000	11,000,000,000	959,704,400	9,597,044,000	Capital surplus	None	
1997/08	10	1,362,900,000	13,629,000,000	1,115,731,588	11,157,315,880	Recapitalization of capital surplus	None	
1998/08	10	1,840,000,000	18,400,000,000	1,283,091,327	12,830,913,270	Recapitalization of capital surplus	None	
1999/02	10	1,840,000,000	18,400,000,000	1,283,869,156	12,838,691,560	Conversion of convertibel corporate bond	None	
1999/09	10	1,840,000,000	18,400,000,000	1,412,256,072	14,122,560,720	Recapitalization of capital surplus	None	SEC (88) Tai-Tsai-Cheng (1) No. 64778 dated July 12, 1999
2000/08	10	1,840,000,000	18,400,000,000	1,482,868,876	14,828,688,760	Capital surplus	None	SEC (89) Tai-Tsai-Cheng (1) No. 52477 dated June 17, 2000
2002/12	10	1,840,000,000	18,400,000,000	1,482,943,830	14,829,438,300	Conversion of convertibel corporate bond	None	
2004/02	10	2,600,000,000	26,000,000,000	1,689,999,459	16,899,994,590	Conversion of convertibel corporate bond	None	

2008/11	10	2,600,000,000	26,000,000,000	1,794,962,992	17,949,629,920	Recapitalization of earnings	None	FSC approval letter under Ching-Kuan-Cheng Yi-Tze No. 0970049317 dated September 17, 2008
2011/9	10	2,600,000,000	26,000,000,000	1,974,459,291	19,744,592,910	Recapitalization of earnings	None	FSC approval letter under Ching-Kuan-Cheng Yi-Tze No. 1000031761 dated July 8, 2011
2012/12	10	2,600,000,000	26,000,000,000	2,319,989,666	23,199,896,660	Recapitalization of earnings	None	FSC approval letter under Ching-Kuan-Cheng Yi-Tze No. 1010046102 dated October 15, 2012

Note 1: Please specify the information for the current year available until the date of the publication of the annual report.

Note 2: The capital increase part shall be identified by effective (approval) date and document No. additionally.

Note 3: The stock issued at the price less than the par value shall be identified prominently.

Note 4: Please specify the offset by monetary creditor's rights and technology, if any, and also note the type and amount of offset.

Note 5: The private placement, if any, shall be identified prominently.

Type of Share	Authorized Capital Stock			Remark
	Outstanding Shares (Lited)	Unissued Shares	Total	
Common Stock	2,319,989,666	280,010,334	2,600,000,000	

Note: Please specify whether the stock refers to TWSE or GTSM stock (the stock forbidden from being traded in TWSE or GTSM, if any, shall be identified).

Information About Shelf Registration System

Type of Securities	Quantity of Shares to be Issued		Quantity of Issued Shares		Purpose and Expected Benefit of Issued Shares	Period in Which Unissued Shares to be Issued	Remark
	Total Quantity	Approved Amount	Quantity	Price			
None							

(II) Composition of Shareholders

April 27, 2015

Composition of Shareholders Quantity	Government Apparatus	Financial Organization	Other Juristic Persons	Individual	Foreign Institution or Foreigner	Total
Number of persons (persons)	4	19	188	186,188	239	186,638
Shareholding (shares)	195,758	104,604,537	193,973,384	1,827,185,988	194,029,999	2,319,989,666
Ratio of Shareholding (%)	0.01	4.51	8.36	78.76	8.36	100.0000

(III) Diversification of equity

April 27, 2015

Range of Shares	Number of Shareholders	Status of Shareholding	Ratio of Shareholding
1~999	51,425	14,363,453	0.62
1,000~5,000	75,633	187,861,953	8.10
5,001~10,000	26,028	202,049,941	8.71
10,001~15,000	10,738	133,641,344	5.76
15,001~20,000	6,380	117,552,680	5.07
20,001~30,000	6,250	157,890,757	6.81
30,001~50,000	4,727	191,140,525	8.24
50,001~100,000	3,233	233,629,621	10.07
100,000~200,000	1,307	185,009,212	7.97
200,001~400,000	544	152,771,829	6.58
400,000~600,000	145	71,701,251	3.09
600,000~800,000	62	43,559,295	1.88
800,001~1,000,000	47	41,514,957	1.79
1,000,001 or more	119	587,302,848	25.31
Total	186,638	2,319,989,666	100.000

Preferential Stock

April 27, 2015

Range of Shares	Number of Shareholders	Status of Shareholding	Ratio of Shareholding
None			
Total			

(IV) Roster of Major Shareholders

April 27, 2015

Name of Major Shareholder	Shares	Status of Shareholding	Ratio of Shareholding
Fubon Life Insurance Co., Ltd.	91,500,000		3.94
Core Pacific Development Investment Co. Ltd.	39,285,806		1.69
BES Engineering Corp.	38,775,000		1.67
Hong Chao Shun	34,981,000		1.51
HSBC in custody for Core Pacific-Yamaichi International (HK) Ltd.	33,339,570		1.44
JPMorgan Chase Bank Vanguard Star Vanguard Total International Stock Index	17,162,647		0.74
BES Machinery Co Ltd.	16,566,043		0.71
JEN HUEI ENTERPRISE CO., LTD.	16,123,959		0.70
CTBC Bank in custody for the Employee Stock Ownership Trust Account of CPDC	14,176,352		0.61
Deutsche Bank in custody for the Polunin Developing Country Fund Investment Account	12,635,000		0.54

(V) Information on market value, net value, earnings and dividends per share

Unit: NTD, except weighted average quantity of shares and analysis on ROE

Item		Year	2013 (Note 10)	2014	Ending March 31, 2015 (Note 8)
Market value per share (Note 1)	The Highest		20.05	14.15	12.8
	The Lowest		13.20	8.48	10.75
	Average		15.54	11.32	11.96
Net value per share (Note 2)	Before distribution		22.8	22.93	22.99
	After distribution		22.8	(Note 9)	(Note 9)
EPS	Weighted average shares		2,319,989,666	2,319,989,666	2,319,989,666
	EPS (Note 3)		2.27	0.13	0.08
	EPS-adjusted retroactively (Note 3)		-	(Note 9)	-
Dividend per share	Cash dividend		-	- (Note 9)	-
	Free-Gratis dividends	Stock dividend from earnings	-	-	-
		Stock dividend from paid-in capital	-	-	-
	Retained dividend (Note 4)		-	-	-
Return on investment analysis	Price-Earnings Ratio (Note 5)		6.85	87.08	-
	Dividend Yield (Note 6)		-	-	-
	Cash dividend yield (Note 7)		-	-	-

* In the case of retained shares distribution or capital surplus shares distribution, please also disclose the information about the market value and cash dividend adjusted retroactively based on the quantity of shares as distributed.

- Note 1: Please identify the highest market value and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.
- Note 2: Please apply the quantity of shares already issued at the end of the year and identify the status of distribution according to the resolution made by the shareholders' meeting held in the following year.
- Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.
- Note 4: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in then year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.
- Note 5: Price-Earnings Ratio=Average Closing Price Per Share in current year/Earnings Per Share
- Note 6: Dividend Yield=Average Closing Price Per Share in current year/Cash Dividend Per Share
- Note 7: Cash Dividend Yields=Cash Dividend Per Share/Average Closing Price Per Share in current year
- Note 8: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections. The Company has adopted IFRSs as of 2013, and the financial information available until March 31, 2014 refers to the consolidated financial information.
- Note 9: The motion for covering of loss 2014 is still under resolution by the general shareholders' meeting 2015.
- Note 10: The Company has adopted the IFRSs as of 2014. In order to deal with the IFRSs, some accounting titles in the financial information 2013 were reclassified and recalculated to be in line with the expressions in the financial statement, 2014.

(VI) Dividend Policy and the Status of Implementation

1. Dividend policy in Articles of Incorporation:

If the Company has profits for the concerning fiscal year, after payment of taxation, it shall offset the losses in previous years, and set aside a legal capital reserve and special capital in accordance with relevant laws and regulations or requested by the authorities in charge; and then, it shall set aside 2% of the balance as remuneration to the Directors and Supervisors, and 3% as a bonus to the employees. With respect to any balance herein together with the undistributed accumulative profits in previous years, the Board of Directors shall prepare an allotment proposal and submit to the shareholders' meeting for approval according to the following policy.

The Company positions itself in the midst of a highly capital intensive, volatile and competitive industry. Where the Company is subject to the influence of the global economy and changes in industrial performance, the Company should take into account the Company's business operation, capital need and status of competition, interests of shareholders and the Company's own financial planning in allotment of its profits. Under such circumstances, the Company may reserve the profits into special reserve either in whole or in part to assure financial stability and sustainability. The Company may allot dividend in the form of cash dividend or stock dividend. In the case that the allotment is made by way of stock dividend, the ratio for stock dividend shall not exceed 50% of total distribution unless the ratio of the Company's total liabilities to total assets is equivalent or above 50%, unless otherwise prescribed in the relevant laws and regulations.

2. Allocation of dividends proposed at the shareholders' meeting

The motion submitted at this shareholders' meeting refers to the motion for covering of loss; therefore, no allocation of dividends was under resolution.

(VII) Effect of allocation of Free-Gratis Dividends proposed at the shareholders' meeting on the operational performance of the Company and the Earnings Per Share:

The motion submitted at this shareholders' meeting refers to the distribution of earnings. No issuance of stock dividends was under resolution.

(VIII) Employee bonus and remuneration to directors/supervisors:

1. Proportion or scope of employee bonus and remuneration to directors/supervisors as stated in the Company's Articles of Incorporation:

Articles of Incorporation:

If the Company has profits for the concerning fiscal year, after payment of taxation, it shall offset the losses in previous years, and set aside a legal capital reserve and special capital in accordance with relevant laws and regulations or requested by the authorities in charge; and then, it shall set aside 2% of the balance as remuneration to the Directors and Supervisors, and 3% as bonus to the employees. With respect to any balance herein together with the undistributed accumulative profits in previous years, the Board of Directors shall prepare an allotment proposal and submit to the shareholders' meeting for approval according to the following policy.

The Company positions itself in the midst of a highly capital intensive, volatile and competitive industry. Where the Company is subject to the influence of the global economy and changes in industrial performance, the Company should take into account the Company's business operation, capital need and status of competition, interests of shareholders and the Company's own financial planning in allotment of its profits. Under such circumstances, the Company may reserve the profits into special reserve either in whole or in part to assure financial stability and

sustainability. The Company may allot dividend in the form of cash dividend or stock dividend. In the case that the allotment is made by way of stock dividend, the ratio for stock dividend shall not exceed 50% of total distribution unless the ratio of the Company's total liabilities to total assets is equivalent to or above 50%, unless otherwise prescribed in the relevant laws and regulations.

2. The accounting in the case of deviation from the basis for stating employees bonus and remuneration to directors/supervisors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation: N/A
3. Information about any motion for allocation of employee bonus resolved by the Directors' Meeting: N/A
4. The actual allocation of employee bonus and remuneration to directors/supervisors in the previous year (including the number, amount and stock price of allocated shares), the deviation between the actual allocation and the estimated figures, if any, and cause and treatment thereof: N/A

(IX) Repurchase of the Company's shares:

N/A

II. Issuance of Corporate Bonds

(I) Issuance of Overseas Convertible Corporate Bonds

Corporate Bonds	Second Overseas Secured Convertible Corporate Bonds in 2014
Date of Issuance	Dec 17 th 2014
Par value	USD \$200,000 or multiples thereof
Location	Singapore

Price of Issuance	100% issuance based on par value
Total amount	USD \$132,000,000
Interest	0% coupon rate
Maturity	5 years, ending on Dec 17 th 2019
Guarantee Agency	CTBC Bank Taiwan Corporative Bank
Trustee	The Bank of New York Mellon, London Branch
Underwriters	Foreign : Barclays Bank PLC Domestic : Yuanta Securities Co., Ltd.
Lawyers	Baker & McKenzie
Accountants	KPMG
Redemption	Apart from callable, puttable bonds for cancellation and conversion, the corporate bond is based on half year calculation of a 100% par value with a premium of 1.75%, annually. The redemption will be 109.10% from par value.
Outstanding Principle	USD \$132,000,000
Provision of prepayment and redemption	Refer to the issuance and conversion guidance of the Second Overseas Secured Convertible Corporate Bonds in 2014, disclosed in the Market Observation Post System.
Restrictive covenant	None
Company's name, date and corporate bonds of credit rating	N/A

Others	Converted(exchange or subscription) common stock, depository receipts or other price of securities as of the annual report publish date.	0 share converted common stock
	Issuance and conversion(exchange or subscription)	Refer to the Market Observation Post System
The affect of current shareholder's equity and the condition of ditued equity due to methods of issuance, conversion, exchange, subscription and issuance provision		Total issuance of USD\$132,000,000. Zero shares have been converted to common stock with USD \$132,000,000 remaining. According to the current price of conversion is 10.80 per share (Reference exchange rate of NT\$31.222 to US\$1), the dilution rate would be 14.13%, assuming full conversion into common stock, an increase of 381,602,222 shares.
Name of Exchange Performance Trust		N/A

(II) Information of Overseas Convertible Corporate Bonds

Corporate Bonds		Second Overseas Secured Convertible Corporate Bond in 2014	
Year		2014	as of May 29, 2015
Item			
Market value of convertible corporate bonds (Note 1)	The Highest (Note 1)	(Note 1)	(Note 1)
	The Lowest (Note 1)	(Note 1)	(Note 1)
	Average (Note 1)	(Note 1)	(Note 1)

Conversion Price	10.80	10.80
Issuance date and conversion price	Dec 17 th 2014 10.80	Dec 17 th 2014 10.80
Obligation of conversion	0 covered common stock in the fiscal year and 0 accumulated converted common stock	0 covered common stock in the fiscal year and 0 accumulated converted common stock

Note: 1. No transactions record

III. Issuance of Preferred Shares

N/A

IV. Status of Participation in Issuance of “Global Depository Receipts (GDRs)”:

Shareholders at the Company’s annual general meeting held on June 26, 2014 resolved the capital raising proposal by means of the issuance of common shares to participate in Global Depository Receipts (“GDR”).

Due to the gas explosion incident in Kaohsiung City in July 2014, investors have a low risk tolerance towards the petrochemical industry. Besides, in order to accommodate the plan for investment in China subsidiaries, the above-mentioned GDR issuance was not initiated and thus expired.

V. Status of Employee Stock Option

N/A

VI. Restriction on Employee Share Subscription Warrant

N/A

VII. Mergers and Acquisitions, or as Assignee of New Shares Issued by Another Company

N/A

VIII. Implementation of Capital Utilization Plan

Until the deadline of providing hardcopy of annual report , no unissued shares or private placement of securities have not yet been complete, nor has existing plans within the last three years generated significant changes.

Five. Operations Overview

I. Business contents

(I) Scope of business

1. The scope of major business items
 - (1) Manufacture of petroleum, alkali-chlorine and phosphoric acid and derivatives.
 - (2) Import-export including storage, transportation, procurement, and sales of the products in the foregoing item and their raw materials, chemicals, and chemical materials.
 - (3) Business related to the procurement and sales in the foregoing item and the import and export trade of general commodities.
 - (4) Provision of related technical services of products (by-products) in the foregoing items, processes, and equipment operations.
 - (5) Research and development of chemicals.
 - (6) Trade, classified processing, and distribution of goods (clothing, electrical, books and stationery, auto products, houseware, and entertainment and leisure facilities).
 - (7) Restaurant and hotel operations.
 - (8) Design and sales of computer software and operation of data registration and processing.
 - (9) Development of commercial buildings; lease and sales of public housing; development of factory buildings on general industrial land; lease and sales of warehouses; and development, lease, sales, and management of industrial parks commissioned by industrial authorities.
 - (10) Operations of recreational areas and golf practice ranges (under five holes).

- (11) Investment in parking lots within the scope of urban planning.
- (12) Operation of gas stations; sales of diesel and dedicated LPG; and simple auto maintenance services (such as lubrication).
- (13) Operation of new power plants.
- (14) Undertaking environmental engineering work (removal, disposal and engineering of general waste, general industrial waste, and hazardous industrial waste).
- (15) Import, export, and sales of feed and feed additives.
- (16) Business items not prohibited or restricted by the law in addition to the approved business items.

2. Major products and sales mix

Currently, the major products of this company include acrylonitrile (AN), caprolactam (CPL), and nylon chip (NY6 or PA6). Other products include electricity, hydrogen cyanide (HCN); ammonium sulfate (AS), industrial sulfuric acid, refined sulfuric acid, and fuming sulfuric acid (oleum). The sales mix of these products in 2014 is as follows:

<u>Product</u>	<u>Sales Mix</u>
Acrylonitrile (AN) and by-products	39.32%
Caprolactam (CPL) and by-products	52.27%
Others	8.41%

3. Current product items

Current product items include acrylonitrile (AN), caprolactam (CPL), nylon chip (NY6 or PA6), ammonium sulfate (AS), sulfuric acid (including fuming sulfuric acid (oleum) and refined sulfuric acid), hydrogen cyanide (HCN), and electricity.

4. New products to be developed

We will evaluate potential end market products in speciality chemicals, new energy, plastic material and engineering plastics that are developed with raw materials, products and processing

by-products of the Company. We will also continue to develop high value-added products.

(II) Industry overview

1. Current status and development

(1) Acrylonitril (AN or ACN)

In Taiwan there are only two AN suppliers: CPDC and Formosa Plastics Corporation (Formosa Plastics). The Company has already expanded production capacity in 2010 and 2011. In 2013 the production capacity was 224,000 metric tons. Although the production capacity of Formosa Plastics was 280,000 metric tons, most part of its AN output is for internal use to produce ABS and AF products.

In 2014 the total AN demand in Taiwan was about 430,000 metric tons/year, which was about 5% more than in 2013.

(2) Caprolactam (CPL)

The Company is the only CPL supplier in Taiwan. The CPL production in 2014 was 400,000 metric tons, including 227,000 metric tons for consumption in Taiwan, with domestic self-sufficiency at 33.9%. Downstream production of textiles increased in China, while polymerization capacity increased as well, creating a difficult competitive environment for Taiwanese suppliers. In Taiwan, CPL consumption during 2014 decreased by 6.3% versus 2013, with apparent demand at about 669,000 metric tons/year. Although nylon demand in Asia continues to increase, particularly in China, CPL suppliers in China reduced its capacity growth rate, growing capacity by 330,000 metric tons in 2014 reaching a total capacity in 2014 of 2.15 million metric tons, which was 18% higher than in 2013. Production in 2014 increased by 320,000 metric tons, or an annual increase of 9% in 2013. In 2014 total CPL demand in

China was 1.75 million tons a year, 7% higher than in 2013. Although a positive trend in supply-demand for the industry, the demand growth was far slower than the growth in CPL supply. As the supply was higher than the demand in China, suppliers continue to struggle for the limited market demand, and the entire CPL business market continues to be intensely price competitive. As China is the major CPL market, Asian CPL suppliers find it difficult to profit from the CPL market. It is estimated that the CPL demand in 2015 will continue to increase by about 7%. With new suppliers entering the CPL business, the Asian CPL market will continue to remain difficult.

(3) Nylon Chips (NY6 or PA6)

Nylon chip production in Taiwan is stable. As supply capacity remains higher than demand, about 50% of production must be exported, and 80% of nylon chip exports go to China. The Company produces nylon chips with CPL through vertical integration for downstream suppliers to produce nylon threads, engineering plastics, and nylon films. By producing and selling nylon chips, the Company maintains a link to the nylon market. To cope with segmentation and heterogeneous growth of downstream nylon products, we continuously adjust the structure of our downstream customers. Although market competition remains intense, it is estimated that nylon chip sales in 2015 will maintain at approximately the same levels relative to our CPL business.

2. Supply Chain Relationships between Products

(1) Acrylonitril (AN or ACN)

Propene and ammonia anhydrous are the major raw materials of AN. AN is produced by ammoxidation with a specific amount of air and steam. Propene is mainly supplied by CPC Corporation Taiwan, with a small amount

from imports. All liquid ammonia is imported.

Downstream AN applications include acrylic fiber and ABS plastics production. Acrylic fiber is also called AN fiber. It is mainly used in producing fabrics, wool, woolen fabrics, blankets, carpets, and stuffed toys. ABS is usually used to produce briefcases, cosmetics containers, computers, mobile phones, home appliance shells, and auto parts.

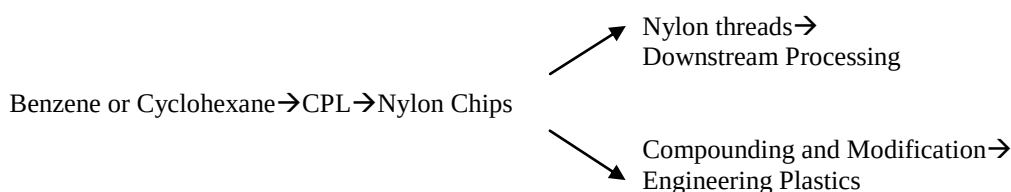
(2) Caprolactam (CPL)

Benzene or cyclohexane and ammonia anhydrous are the major raw materials of CPL. Benzene is either supplied by CPC Corporation Taiwan or imported. All cyclohexane and ammonia anhydrous are imported.

CPL is the major raw material for producing NY6 and resin. The downstream products of NY6 thread include general textile fibers, such as sports jackets, lining, stockings, undergarments, and fabrics, and industrial fabrics such as umbrella fabrics, fishing lines, fishing nets, tire carcass, handbags, and home carpets.

(3) Nylon Chips (NY6 or PA6)

Nylon chips are made of CPL through polymerization into solid high molecules for use by downstream spinning industry or engineering plastics industry. The downstream application of nylon chips has been mentioned in the CPL section. The product relations are as follows:



3. Development Trend and Competition Status of Major Projects

(1) Acrylonitril (AN or ACN)

Favorable conditions

- ① AM: As the demand for wastewater treatment and oil refinery treatment increases, AM demand is expected to increase to favor AN production and stabilize AN price.
- ② NBR: Tire (NBR) demand will increase as the auto industry continues to grow in 2015. This will indirectly favor AN production and stabilize AN price.

Unfavorable conditions

- ① Oil price and C3 price: It is estimated that oil price in 2015 will be maintained at US\$50-US\$70 per barrel. This will push C3 prices to fall and decrease AN production cost.
- ② AF: It is estimated that AF demand in 2015 will remain unchanged or reduce slightly, and modified polyester will continue to replace it slightly. This will be unfavorable to AN production and AN price stability.
- ③ The AM demand used by secondary recovery of crude oil will be affected by the low oil price.
- ④ It is estimated that about 650,000 tons of new capacity will start production in 2015 (include the end of 2014), and will negatively influence the balance of the AN supply and demand and AN prices.

(2) Caprolactam (CPL)

Favorable conditions

- ① Nylon is an industry for key development in China. Therefore, in addition to helping domestic nylon suppliers to expand production capability, the Chinese government has implemented tariff barriers and an anti-dumping tax to protect domestic nylon industry

development. As this company is not on the anti-dumping tax list, our entry barrier is lower than other international competitors.

- ② As the CPL process is complicated and operation is rather difficult, it is difficult for newcomers to control quality. Therefore, current suppliers can enjoy a short-term quality advantage.
- ③ The quality of Nylon in Taiwan remains higher than Chinese producers, thus in a continue demand growth environment, Taiwan suppliers remains a preferred choice to customers.

Unfavorable conditions

- ① CPL capability in China expanded extensively, and supply was higher than demand in 2013. As CPL suppliers were competing for market share, price competition and profit reduction has occurred.
- ② After PTA capability expansion in Asia in recent years, excessive polyester has substituted for nylon thread at a lower price point and higher market share. This affects the development of nylon thread in the general textile market.

Response actions to unfavorable factors

- ① Focus on the top-down supply chain environment and changes in the market situation to flexibly adjust sales strategies and support downstream industries to increase operational performance, and face competition together.
- ② Reinforce cultivation of engineering plastics and film markets to reduce the risk of selling products to a single market—nylon textile market. Increase the flexibility of sales adjustments with the company's

development and production of functional nylon chips.

(3) Nylon Chips (NY6 or PA6)

Favorable conditions

- ① China is a developing country with a fast-growing economy. As the domestic demand and export growth increase, the textile industry expands its capability to accelerate nylon chip consumption.
- ② The thriving auto industry in China stimulates auto nylon chip demand.

Unfavorable conditions

- ① Nearly 55% of the downstream industries of nylon chips in Taiwan concentrate in clothing fibers with the export market focusing on China. Therefore, the concentration effect of a single industry and a single market is significant.

Responsive action for unfavorable factors

- ① After capacity expansion of polymerization equipment, most Taiwan suppliers increase sales to the Chinese textile market. To avoid price-driven competition with China, the Company emphasizes material supply contracts with domestic Taiwanese customers to strengthen sales and will continue to develop engineering plastics market and channels.

4. Domestic Market Share of Major Products

At present the domestic market share of CPL is about 34%; AN or ACN is about 40%; and nylon chips is about 3%.

(III) Technology and R&D

1. R&D Expenses in 2014

FY2014: NT\$196,090,000

By 30 April 2015: NT\$52,498,000.

2. Major Research Outcomes

From catalyst development, process design, and plant construction, we can ensure 100% independent development for ortho-phenylphenol (OPP). OPP is an important fine organic chemical generally used to produce flame retardant, fungicide, preservative, coating, photosensitive materials, mordant or surfactant.

3. Current Patent Status

In 2014 this company applied for 3 new patents and completed the registration of 27 new patents. The content of patents applied is not only for the improvement of existing manufacturing processes, but also for technical protection and developing a patent portfolio of future products.

(IV) Long- and Short-Term Business Development Plans

Upholding the goal of sustainable operations, maximization of shareholder's benefits, and fulfillment of corporate social responsibility, the Company has established the following long- and short-term plans:

Short-term business development

Equipment improvement and debottlenecking projects will continue to expand raw material supply capacity, enhance production efficiency, and reduce raw material consumption. In addition to aggressively reducing GHGs, we will ensure stable production and enhance product competitiveness and financial capability. We will also develop new catalysts, enhance the added value of by-products,

stabilize material sources, produce raw materials to reduce losses, expand overseas markets, and improve the management and use of intellectual property, so as to increase profits and improve financial structures.

Long-term business development

Besides planning overseas development strategies, we will combine with the opportunities from shale gas to integrate upward with raw material supplies and extend downward to downstream products to construct an overseas automatic production base, disperse operational risk, increase our strength for future market competition, and rapidly enter the Asian petrochemical product market. The future strategic policy will cover promotion of corporate transformation, diversification of operations, development of precision and special chemicals with high added value, and search for the development potential of new green energy including biomass and storage energy, to construct a more complete product chain with higher added value, capture development opportunities, and promote green chemical production to continuously reduce GHGs. In addition to maximizing profits, we will enhance corporate value to create the highest value for shareholders.

II. Market and Sales Overview

(I) Market Analysis of Major Products

[Acrylonitrile (AN or ACN)]

In terms of demand, the number of export orders (to Europe) in China reduced as a result of recession in Europe and sluggish economic recovery in USA. In addition, China domestic demand also generated lesser growth than expected in 2014. ABS demand in 2014 performed better than expectations, growing from 2013 levels. The outlook for the ABS market in 2015 is conservative. It is estimated that the demand in 2015 will be 1-2% higher than it was in 2014; and the AF demand in 2015 will be the same or slightly less.

In terms of supply, as no new capacity started mass production in 2013, this will help to balance the AN supply for the industry. From the end of 2014 to 2015, it is estimated that about 650,000 tons new capacity will start production, this will negatively influence the balance of AN supply and demand.

As the Company completed the trial run of the AN de-bottlenecking project at the end of 2012, production in 2014 reached 224,000 metric tons expanding its domestic market share in Taiwan. Overall, industry capacity is expected to increase by 650,000 metric tons while downstream demand for ABS, AF will remain stable. As a result, AN capacity utilization will be negatively affected in 2015, and is estimated to maintain at approximately 75~80%.

[Caprolactam (CPL)]

The CPL capacity of the Company in 2014 was 400,000 metric tons/year. Production was mainly sold to nylon polymerization companies in Taiwan. After polymerization into nylon chips and nylon threads, these companies sold them to the nylon end market in China. In 2014 the CPL demand in Taiwan was 669,000 metric tons/year, and the CPL demand of China was 1.75 million metric tons/year. The overall nylon industry demand of both Taiwan and China exceeded 2.36 million metric tons/year. The CPL demand across the straits increased by about 3%.

The nylon industry is a key development industry in China. To increase CPL self-sufficiency in China, Chinese suppliers have been expanding their capacity in recent years in leaps and bounds. In 2014 a total of 330,000 metric tons/year were increased. It is estimated that new capacity will become concentrated in China in 2015. New production in China was reported to be more than 1.2 million metric tons, but we believe a more practical capacity expansion to be expected should include 100,000 metric tons/year from the new production line of Shandong Fangming,, 30,000 metric tons/year from the new production line of CPDC Shihjiazhuang, 100,000 metric

tons/year new line from the new production line of Shanxi Lanhua, 100,000 metric tons/year new line from the new production line of Beijing Xuyang, and 100,000 metric tons/year new line from the new production line of Henan Shenma. In total, new CPL capacity in 2015 will be about 430,000 metric tons/year.

In Taiwan, nylon polymerization capacity growth has been greater than that of CPL. As domestic CPL self-sufficiency is inadequate, most downstream suppliers rely on imported nylon. The company will flexibly adjust production levels in 2015 to maximize profits, and satisfy 35%~45% of domestic self-sufficiency. After the first wave of CPL capability expansion in 2015, the self-sufficiency rate in China will increase to 90%. Although CPL capacity is already greater than the demand, due to quality difference and demand for processing on order it is estimated that about 10% CPL will remain imported. In the past, over 50% of demand was imported as sales of surplus CPL from Europe and the USA was sold to Asia.

CPL capacity in China has expanded rapidly. To protect the survival and development of the domestic nylon industry, the Chinese government imposes anti-dumping tax on CPL and nylon chip imports and places high tariff on CPL imports to increase raw material import costs. It is estimated that the CPL market in 2015 will remain extremely challenging.

[Nylon Chips (NY6 or PA6)]

Due to economic, demographic, and geographical influences, the size of domestic nylon markets varies. Although Taiwan possesses the largest PA6 capacity just next to that of China, 50% of PA6 production must be exported, with China as the major export market.

Nylon suppliers in China import raw materials based on their own needs and capabilities due to capacity expansion and demand growth, consideration of the raw material supply capability of downstream customers, different transportation conditions, CPL and PA6 tariff differences, and anti-dumping tax. Therefore, the import quantity of

PA6 and CPL either increases or reduces depending on near-term market conditions. In 2014, CPL supply in China increased by 30% versus 2013. Domestic CPL production increased by 26% versus 2013, while CPL imports reduced from 470,000 metric tons in 2013 to 230,000 metric tons in 2014. Due to weak demand in end markets, Taiwan's nylon chip export to China decreased by 16%.

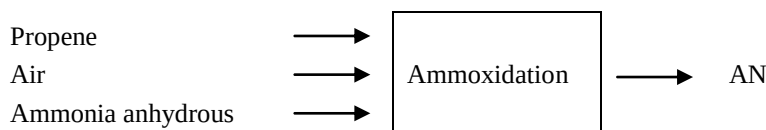
To consolidate the existing nylon market, the Company continuously cultivates channels and customers of functional PA6 and downstream engineering plastics, so as to effectively consume CPL to disperse the risk of the high and low seasons of a single market and to create higher value-added to customers.

(II) Major applications and processes of major products

1. Acrylonitrile (AN or ACN)

- (1) AN is mainly used to produce acrylic fiber (AN fiber) and ABS plastics. Major downstream AN products include:
- ① AN fiber: Clothing fabrics, acrylic wool, woolen fabrics, stuffed toys, blankets, carpets, and decorative fabrics.
 - ② ABS plastics: Briefcases, cosmetics containers, computers, mobile phones, home appliance shells, and auto parts.
 - ③ NBR: Oil-resistant and heat-resistant rubber.
 - ④ Acrylamide: oil displacement agent, wastewater treatment agent, soil water absorbent agent, soil conditioner, paper pulp toughener, coating, coagulant.

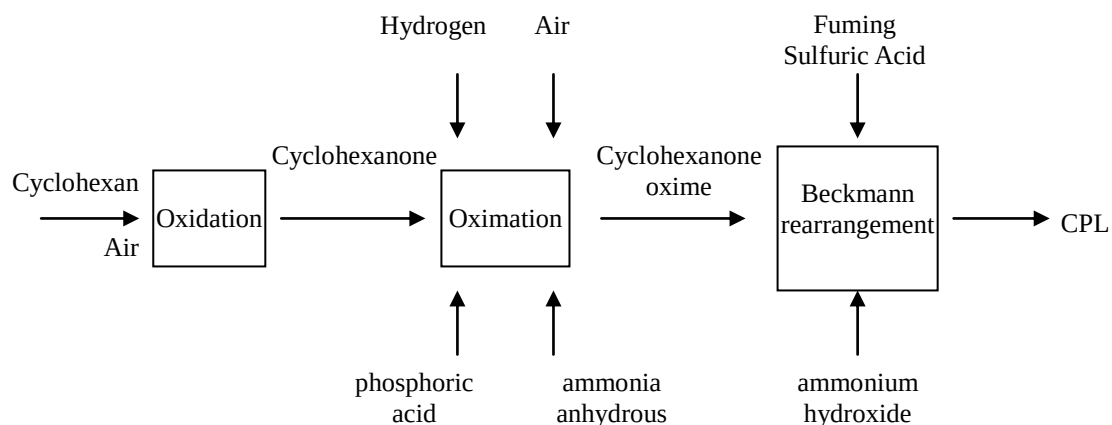
(2) Process



2. Caprolactam (CPL)

- (1) CPL is the major material for producing nylon thread (NF). Its downstream products include:
- ① General textile fibers: Sports jackets, lining, stockings, and undergarments.
 - ② Industrial fiber: Umbrella fabrics, fishing lines, fishing nets, tire carcass, handbags, nonwoven fabrics, and home carpets.
 - ③ Engineering plastics: Auto parts, high pressure pipes, surfing boards, and gears.

(2) Process



3. Nylon Chips (NY6 or PA6)

(1) Nylon chip is a direct CPL downstream product. Its application is the same as in CPL.

(2) Process



(III) Supply and demand of major materials

In addition to ammonia anhydrous and coal which are 100% imported, all other major raw materials used by the Company are obtainable from related domestic suppliers with long-term supply contracts. For example, propene, toluene, sulfur and natural gas are supplied by CPC Taiwan; sodium hydroxide is supplied by Taiwan Chlorine Industries; cyclohexane is supplied by Taiwan Prosperity Chemical; and phenol is supplied by FCFC and Taiwan Prosperity Chemical. If domestic supply is inadequate, we will replenish the insufficiency with imports.

(IV) Customers sharing 10% of total sales in the past two years and their sales amount and proportion

Major suppliers in the past two years

Unit: NT\$1,000

Item	2013				2014				By Q1, 2015			
	Supplier ID (Note 2)	Amount	Percentage in Annual Purchasing Amount	Relationship with Issuer	Supplier ID (Note 2)	Amount	Percentage in Annual Purchasing Amount	Relationship with Issuer	Supplier ID (Note 2)	Amount	Percentage in Annual Purchasing Amount	Relationship with Issuer
1	660	10,852,921	34.03		660	10,230,685	34.33		660	1,906,931	30.09	
2	688	7,201,110	22.58	Company invested by this company evaluated with the equity method (non-stakeholder as of 20 May 2011)	688	6,723,343	22.56	Company invested by this company evaluated with the equity method (non-stakeholder as of 20 May 2011)	678	1,059,720	16.72	
3	678	5,523,005	17.32		678	4,316,070	14.48		688	753,855	11.89	Company invested by this company evaluated with the equity method (non-stakeholder as of 20 May 2011)
	Others	8,312,753	26.07		Others	8,535,201	28.64		Others	2,617,922	41.30	
	Net Purchase	31,889,789	100.00		Net Purchase	29,805,299	100.00		Net Purchase	6,338,428	100.00	

Note: 1. Cause of increase or reduction: Change of market price and purchasing quantity.

2. Replaced by supplier ID for business consideration.

Major customers in the past two years

Unit: NT\$1,000

Item	2013				2014				By Q1, 2015			
	Customer ID (Note 2)	Amount	Percentage in Annual Sales Value	Relationship with Issuer	Customer ID (Note 2)	Amount	Percentage in Annual Sales Value	Relationship with Issuer	Customer ID (Note 2)	Amount	Percentage in Annual Sales Value	Relationship with Issuer
1	1001	4,617,292	13.07		1001	4,821,216	14.50		1001	807,091	10.91	
2	1019	4,696,136	13.29		1019	4,614,078	13.88		1019	768,576	10.39	
3	1018	4,875,140	13.79		1018	4,059,158	12.21		1018	1,022,553	13.82	
	Others	21,149,973	58.85		Others	19,755,030	59.41		Others	4,800,383	64.88	
	Net Sales	35,338,541	100.00		Net Sales	33,249,482	100.00		Net Sales	7,398,603	100.00	

Note: 1. Cause of increase and reduction: Change of market price and sales quantity.

2. Replaced by customer ID for business consideration.

(V) Production Quantity and Value in the Past 2 Years

Quantity: Metric tons

Value: NT\$1,000

Major Product (or department)	Year	2014			2013		
	Production	Capability	Quantity	Value	Capability	Quantity	Value
AN, acetic acid		230,000	203,583	29,726,316	230,000	195,934	33,135,366
CPL, Nylon Chips		367,000	250,734		416,000	299,294	
Other By-products							
Total				29,726,316			33,135,366

Note: Capability refers to production quantity in normal operation with the current production equipment after measuring necessary down time and holidays.

(VI) Sales Quantity and Value in the Past 2 Years

Quantity: Metric tons

Value: NT\$1,000

Major Product (or department)	Year	2014_Consolidated				2013_Consolidated			
	Sales	Domestic		Export		Domestic		Export	
		Quantity	Value	Domestic	Export	Domestic	Export	Domestic	Export
AN, acetic acid		129,513	26,974,691	75,115	6,274,791	138,678	30,032,601	56,352	5,305,940
CPL, Nylon Chips		243,973		1,995		261,708		8,295	
Other By-products				10,500					
Total			26,974,691		6,274,791		30,032,601		5,305,940

III. Employees

Number of employees in the Past 2 Years up to the Report Printing Date

30 April 2015

Year		2013	2014	By 30 April 2015 (NB)
Employees	Headquarters	204	201	197
	Toufen Plant	374	363	351
	Dashe Plant	272	339	314
	Xiaogang Plant	339	338	333
	Subsidiaries	108	109	109
	Total	1297	1350	1304
Average Age (year)		46	45	43
Average Service Length (year)		18	18	16
Education	PhD	12	8	8
	Master's	220	214	206
	Bachelor's	679	751	741
	Senior High and below	386	377	365

Note: Data in the year of the printing date.

IV. Environmental Protection Expenses

(I) Damage from Polluting Environment in the Past 2 Years

Unit: NT\$1,000

	2014	2013
Pollution (type and severity)	Violation of the Air Pollution Control Act and Waste Disposal Act.	Violation of the Water Pollution Control Act and Air Pollution Control Act.
Compensation Target or Punishing Unit	Local environmental protection authorities	Local environmental protection authorities
Fine Amount	501	506
Other Loss	—	—

(II) Responsive Action

1. Improvement Plan

- (1) Aggressively comply with environmental protection laws and regulations.

(2) Establish recycling projects and facilitate improvements of VOC recovery equipment.

2. Estimated environmental protection expenses in the next three years

	Unit: NT\$1,000		
	2015	2016	2017
Expense for purchasing pollution prevention equipment, etc.	Prevention and improvement of air, water, soil, and underwater pollution in all plants	Prevention and improvement of air, water, soil, and underwater pollution in all plants	Prevention and improvement of air, water, soil, and underwater pollution in all plants
Estimated improvement	Pollution and waste reduction and compliance with environmental protection standards	Pollution and waste reduction and compliance with environmental protection standards	Pollution and waste reduction and compliance with environmental protection standards
Amount	131,806	144,987	159,485

Note: The 2015 expenses at NT\$131,806,000 is a projected amount; the amount in the next two years are also projected.

3. Impact after improvement.

	Unit: NT\$1,000		
	2015	2016	2017
Impact on net profit	Depreciation increases by about 11,982/year; repair and maintenance increases by about 1,198.2/year.	Depreciation increases by about 13,181/year; repair and maintenance increases by about 1,318.1.	Depreciation increases by about 14,499; repair and maintenance increases by about 1,499.9.
Impact of competitive position	Compliance with environmental protection standards Fulfilment of CSR	Compliance with environmental protection standards Fulfilment of CSR	Compliance with environmental protection standards Fulfilment of CSR

Note: Depreciable assets will be depreciated over 10 years.

Values for 2016 and 2017 are estimates.

V. Labor-Management Relations

(I) Employee fringe benefits, continuing education, training, retirement system and implementation thereof:

The Company has established the worker welfare commissions in its headquarters and plants. The Company will organize local and overseas travels, ball games, mountain-claiming activities and other competitions from time to time, some of which may be attended by the employees and their family members.

The Company also prepares budget and plans to arrange for various training programs needed by the employees to meet their duties each year, and also defines the relevant rules governing incentives and subsidies to employees who wish to attend continuing education programs to learn other languages at their leisure time or various professional programs.

1. Employee fringe benefits:

The employee fringe benefits available in 2014:

The employee activities in 2014

Item	Fringe benefits (bonus for Chinese New Year and major festivals, year-end party lottery, cash gift for birthday, and other allowances) (NTD thousand)	Cultural and entertainment activities (travel allowance, ball games, mountain-climbing, and other employee activities) (NTD thousand)
Headquarters	4,988	631
Tou-Fen Plant	10,636	2,372
Da-Sheh Plant	12,711	2,575
Hsiaokang Plant	11,459	405
Total	39,794	5,983

2. Continuing Education/Training

The employee training hours and status of budget thereof in 2014:

Information about the employees' training in 2014

Item	Total Training Hours	Average Hour per Person	Budget Implementation Efficiency
Headquarters	8,766	43.61	32.85%
Tou-Fen Plant	19,863	54.87	85.7%
Da-Sheh Plant	24,680	78.18	68%
Hsiaokang Plant	12,618	37.44	47.5%
Total	65,927	53.53	58.51%

Incentive and subsidy to employees who attended the continuing education programs to learn other languages or various professional programs in 2014

Item	Subsidy (NTD)
Headquarters	97,965
Tou-Fen Plant	0
Da-Sheh Plant	11,072
Hsiaokang Plant	44,411
Total	153,448

3. Status of the certificate or license of personnel related to transparency of financial information as required by the competent authority

Department	Name	Certificate/License
Audit Office	Huang Yu-Wen	CIA
		QIA

4. Retirement system

The Company has established the Labor Pension Supervisory Committee, which will contribute to a reserve for pension on a

monthly basis pursuant to laws. Other than the employees who were hired after the enforcement of Labor Pension Act in 2005 or those who chose the new system, any employees who retire pursuant to Labor Standard Law will deposit the reserve for pension into the account opened by the Labor Pension Supervisory Committee at the Bank of Taiwan on a monthly basis pursuant to laws.

Information about employees' pension and retirement in 2014

Item	Amount or Number of Person
Retirement Account Opened by Labor Pension Supervisory Committee at Bank of Taiwan (until April 30, 2015)	NT\$763,168,000
Number of retired employees 2014	52 persons

(II) Labor-management agreements and employees' interest and right protection measures:

1. In order to enable employees to know about the Company's code of conduct or ethical principles, the Company has defined a "CPDC Business Conduct Policy" (see Attachment), which will be distributed to employees when they are hired. Employees shall sign their signature to acknowledge that they have read and understood the "business conduct policy" adopted by CPDC.

Business Conduct Policy

I. Fair trade policy

1. The Company complies with the Fair Trade Act (the same act applicable in any of offshore areas) consistently. The Company understands that to build the goodwill requires the efforts through years, while the goodwill earned by efforts through years might be ruined due to one single person's conduct. For fair trade, any colleague's misconduct may cause significant expenses and material litigation to their supervisors as well as the Company and the management, and also fine, injunction and even imprisonment sentence.
2. The fair trade policy aims at maintaining a free competition system among enterprises. The fair trade policy is established in order to enable the public to deserve the best protection under fair competition if no conspiracy or collusion is exists among the competitors. It is undisputable that the Fair Trade Act benefits maintenance of the economic, political and social groups. The Company's Administration Dept. has also restated its confidence in the fair trade philosophy. Therefore, under the principles encouraged to seek profit through legal and valid means, any acts of the Company are conducted pursuant to laws. Particularly, reaching agreement or understanding against fair trade is against the Company's policy.
3. The Company's executive officers at each level shall educate the colleagues to comply with the fair trade requirements, so that colleagues may know how to deal with any situation involving fair trade issues.

II. Conflict of Interest Policy

1. Each colleagues shall be obligated to deal with the relationship between them and the Company, honestly and fairly. None of the colleagues may engage in any activities against said obligation for personal interest, or allow the circumstances against the obligation to exist.
2. If, in any transactions involving the Company and any colleague or a third party, the colleague or his/her spouse or direct blood relative within the second pillar under the Civil Code might seek profit therefrom, the conflict of interest should be held sustained:

If any colleague contributes to or affects the transaction between the Company and any enterprise and the colleague or his spouse or direct blood relative within the second pillar under the Civil Code holds the shares in the enterprise which are sufficient to influence the enterprise's policy making, the conflict of interest should also be held sustained.

Under said circumstances, if any colleague has any question about the validity of

some case or business relation, he/she shall report the same to the Company via the reporting channel applicable to him/her, so that the Company may research relevant solutions.

3. None of the colleagues is allowed to ask any supplier, customer or competitors for gifts, entertainment or other personal benefit, or accept any gifts, entertainment or other personal benefits that might affect their duties adversely from any supplier, customer or competitor.

III. Payment and Spending Policy

1. The bank account opened by the Company or the fund owned by the Company shall not be disclosed (made public) or recorded without justified reasons.
2. All of the Company's payment or spending records shall be able to precisely reflect the purchasing behavior or fact for the spending.
3. None of the colleagues may make any payment, grant any gift or money, service or valuable goods, privately and directly or indirectly, that cause adverse influence to the Company or its stakeholder.

IV. Non-Disclosure and Non-Competition

1. The employee shall keep confidential any of the Company's technical or business secrets accessed by him/her in the duration of his/her employment in the Company and any information to be kept confidential under the contract signed by the Company and a third party, in the duration of the employment. The employee shall not utilize confidential information to seek his/her personal interest or engage in the same business, or disclose the same to a third party without authorization.
2. The employee shall not publish the confidential information referred to in the preceding paragraph, or disclose or utilize the same to engage in the business identical with the Company's out of the intent to seek illegal profit, upon his/her resignation.
3. The computer program, literal work and graphic work created by the employee in performing his/her duty under the Company's planning in the duration of his/her employment shall be vested in the Company as agreed. Without the Company's prior written consent, the employee shall not use the same arbitrarily within the effective time limit defined in the Copyright Act.

V. Internal Information Control Policy

Any colleague who holds the Company's internal information shall not engage in trading the Company's securities, directly or indirectly, or disclose the same to a third

party without authorization. Generally speaking, internal information refers to the information that shall not be made public. If it is impossible for any colleague to make sure whether the information held by him/her is internal information, he/she shall consult with the department which owns the information.

VI. Compliance

1. When granting some voluntary authority, the colleague and agent shall note and advise the licensee of compliance with the “Business Conduct Policy”.
2. Each colleague shall report to his/her supervisor or executive officer any violation or suspected violation of the Company’s “Business Conduct Policy” or other regulations. None of the colleagues may intimidate or retaliate the co-worker who submits the report. The colleague shall be obligated to report any suspected violation of the Company’s “Business Conduct Policy” or other regulations, and shall acknowledge that he/she shall be obligated to avoid ignoring the fact and circumstance for any misconduct and shall alert such fact and circumstance and submit the report to his/her supervisor or executive officer.

VII. Communication and Negotiation

1. Each supervisor and colleague shall work together with each one to create and acknowledge the importance for establishment of a high-efficiency team, and shall get along with each other well. Should any colleague have any problem, private or for business, he/she may talk with his/her supervisor, and the supervisor shall communicate with the colleague from time to time to seek the resolution together with the colleague, so as to boost the team’s performance.
2. The factory and company labor-employer meetings will serve as a communication channel between labor and the employer. In addition to the representatives from labor and the employer, any colleagues who has positive suggestions may propose their suggestions via the representatives, so that both parties may research and resolve the same at the meetings to reach agreement and implement resolutions.
3. Should any colleague have any question about the personal interest or management system, he/she may learn about the same through his/her supervisor or the HR unit and communicate through the administrative system channels from time to time. He/she may also communicate with the factory and company welfare committees about employee fringe benefits or cultural and entertainment activities at any time.
4. The whistleblower reporting system is designed to enable colleagues to report his/her problems at work and avoid the supervisor’s adverse influence. The colleague may maintain his/her interests and rights through this channel.
5. The colleague and supervisor may also take advantage of other administrative

measures, such as nomination system, personal interview, meetings, and quarterly and yearly performance appraisal, as communication channels. If any colleague cannot apply said communication channels as the case involves any personal rule breaking or delinquency, he/she shall also present the relevant evidence supported by the facts. In case of any false accusation, intentional harassment and alienation, the Company will ignore the complaint and the recipient may tear down the complaint directly but shall not circulate the same, unless some concrete fact and evidence shows that the anonymous complainant is one of the Company's colleagues or any person instigated by the complainant, in which case the colleague and the person shall be disciplined pursuant to the Articles of Incorporation.

6. Said communication channels under the normal system will be protected and valued. Aside from the above-mentioned policies, any activity engaged in attacking the Company's operation or failure to seek personal interest and solution through legal procedure under the name of any outsider, authority or group or by taking advance of or colluding with outsiders, authority or groups shall be held against the Company's policy and material requirements.

VIII. Enforcement Rules

Each of the Company's departmental supervisor shall ask each of the colleagues subordinated to him/her for the written report, and ask new employees for the written report within one week after the new employees are hired. In the case of any changes in the Company's "Business Conduct Policy", he/she shall ask each of colleagues subordinated to him/her for the written report again. The written report shall contain the following:

1. The colleague has read the Company's:
 - Fair trade policy
 - Conflict of Interest Policy
 - Payment and Spending Policy
 - Non-Disclosure and Non-Competition
 - Internal Information Control Policy
 - Compliance
 - Communication and Negotiation
 2. The colleague has understood and is willing to comply with said policies;
 3. The colleagues and other co-workers under his/her supervision have already read and understood, and are willing to comply with said policies.
- Meanwhile, various supervisors shall supervise their immediate subordinates' compliance with said policies. Upon receipt of the written report from each

immediate supervisor and colleague, the departmental supervisor shall submit one copy of the written report showing compliance of him/her and all colleagues subordinated to him/her with said policies.

Business Conduct Policy Compliance Certificate (for the general colleagues)

It is certified that:

1. I have already read and understood the “Business Conduct Policy” adopted by CPDC:
Fair trade policy
Conflict of Interest Policy
Payment and Spending Policy
Non-Disclosure and Non-Competition
Internal Information Control Policy
Compliance
Communication and Negotiation
2. I hereby undertake that I will comply with the Business Conduct Policy accordingly.

(Date)

(Printed Name)

Business Conduct Policy Compliance Certificate (for supervisors)

It is certified that:

1. I have already read and understood the “Business Conduct Policy” adopted by CPDC:
Fair trade policy
Conflict of Interest Policy
Payment and Spending Policy
Non-Disclosure and Non-Competition
Internal Information Control Policy
Compliance
Communication and Negotiation
2. The Business Conduct Policy has been read by me and the other colleagues under my supervision.
3. I hereby undertake that I will comply with the Business Conduct Policy accordingly.

(Date)

(Printed Name)

4. Each of the Company’s plants have entered into the group agreement with various labor unions. The Company has also defined its work rules, which were reviewed and approved by the city government, and made public, and distributed to all colleagues via email. The Company will call a labor-employer meeting to negotiate labor-employer issues once per quarter to facilitate the cooperation between labor and the employer and to create and maintain a harmonic relationship between labor and employer and create a safe and friendly working environment.
5. The Company has never suffered loss due to dispute over labor and employer relationships in the most recent year until the date of publication of the annual report.

VI. Major Contracts

(I) Engineering Contract:

Nature	Contract Party	Duration	Summary Content	Restricted Clause
O-phenylphenol Firm Construction Engineering Project in Tou-Fen Anone Plant	Chung-Yen Engineering Co., Ltd.	2014.06.06 ~ 2016.06.30	Design & planning, production of equipment, application for license and certificate, and construction engineering constituting the primary construction engineering framework	None
Dashe Plant Anone Plant Enhancement Ammonia-nitrogen Treating Efficacy of Biochemical Plant	CPDC Engineering Corp.	2014.04.18 ~ 2016.06.30	React to regulation of environmental protection, using design & planning, technical services, engineering construction to enhance removing ammonia-nitrogen efficacy of biochemical plant and meet the requirement of regulation.	None

(II) Supply Contract

1. With respect to the major products of the Company, such as AN and CPL, the Company has created a permanent and stable sales relationship with the Company's down-stream customers, e.g. CHIMEI, Grand Pacific Petrochemical Corporation, NANTEX Industry Co., Ltd., Li Peng Enterprise, Zig Sheng Industrial Co., Ltd. and Chain Yarn Co., Ltd., and also entered into the supply contract with some of them.
2. The main raw materials needed and procured by the Company locally include propylene, sulfur and industrial natural gas, for which the Company has entered into the long-term purchase contract with CPC. To procure liquid caustic soda, the Company entered into a purchase contract with Taiwan Chlorine Industries Ltd. The raw materials for which the Company has entered into the long-term contract with foreign suppliers include phenol and liquid ammonia.

(III) Technical Cooperation Contract

Nature	Contract Party	Duration	Summary Content	Restricted Clause
Cooperation Project	National Taiwan University	2014.04.01~ 2015.03.31	Study for new manufacturing process of three carbon petrochemical industry materials.	The intellectual property ownership shall be determined subject to contract.

(IV) Long-Term Loan Contract

Nature	Contract Party	Duration	Summary Content	Restricted Clause
Long-Term Loan	Bank of Taiwan, Nanmen Branch	2013.4~2016.4	Working capital increase	None
Long-Term Loan	Mega International Commercial Bank, Offshore Banking Branch	2013.12~2016.12	Working capital increase	None
Long-Term Loan	First Commercial Bank, Business Office	2014.3~2017.3	Working capital increase	None
Joint Mandated Guarantee	Chinatrust Commercial Bank, Taiwan Cooperative Bank	2014.12~2020.1	Provide issuing guarantee for the 2014 overseas second secured convertible bond	None

Six. Financial Position

I. Condensed balance sheet, income statement, external auditor's name and audit opinion for the most recent five years

(I) Condensed balance sheet and comprehensive income statement - IFRSs

Condensed balance sheet - IFRSs

Currency Unit: NTD Thousand

Item \ Year		Financial information in the most recent five years (Note 1)					Financial Information ending March 31, 2015
		2010	2011	2012(Note 3)	2013(Note 3)	2014	
Current Assets		-	-	13,314,949	10,516,072	12,072,676	N/A
Property, plant and equipment (Note 2)		-	-	19,354,134	18,730,941	16,487,850	
Intangible assets		-	-	0	0	0	
Other assets (Note 2)		-	-	31,191,340	41,155,809	48,133,190	
Total assets		-	-	63,860,423	70,402,822	76,693,716	
Current liabilities	Before distribution	-	-	4,234,979	6,602,601	5,572,313	
	After distribution	-	-	5,394,974	6,602,601	Note 2	
Non-current liabilities		-	-	10,955,465	10,912,206	17,930,442	
Total liabilities	Before distribution	-	-	15,190,444	17,514,807	23,502,755	
	After distribution	-	-	16,350,439	17,514,807	Note 2	
Equity attributable to the parent company		-	-	48,669,979	52,888,015	53,190,961	
Capital stock		-	-	23,199,897	23,199,897	23,199,897	
Capital surplus		-	-	0	0	0	
Retained earnings	Before distribution	-	-	26,658,139	30,717,009	31,005,657	
	After distribution	-	-	25,498,144	30,717,009	Note 2	
Other equities		-	-	(1,188,057)	(1,028,891)	(1,014,593)	
Treasury stock		-	-	0	0	0	
Non-controlling equity		-	-	0	0	0	
Total equity	Before distribution	-	-	48,669,979	52,888,015	53,190,961	
	After distribution	-	-	47,509,984	52,888,015	Note 2	

Note 1: The Company has adopted the IFRSs as of 2013. In order to comply with IFRSs, some accounting titles in the financial information 2012 were reclassified and recalculated to be in line with the expressions in the financial statement 2013. For the financial information from 2009 to 2011, please refer to “(3) Individual Condensed Balance Sheet and Comprehensive Income Statement – the R.O.C. Financial Accounting Standards”. Each annual individual financial statement shall be audited and certified by an external auditor.

Note 2: The motion for earning distribution will be decided at the 2015 shareholders' meeting

Note 3: The Company changed valuation methods in investment properties from cost value to fair value in 2014 under the rules of IFRS, previous statements have been adjusted retrospectively.

Individual Condensed Income Statement - IFRSs

Currency Unit: NTD Thousand

Item \ Year	Financial information in the most recent five years (Note 1)					Financial Information ending March 31, 2015
	2010	2011	2012	2013(Note 2)	2014	
Operating revenue	-	-	36,893,966	33,921,306	31,851,565	N/A
Gross profit	-	-	(167,946)	(1,310,804)	(1,384,891)	
Operating profit or loss	-	-	(1,090,521)	(2,074,337)	(2,181,317)	
Non-operating revenue and expense	-	-	2,958,244	7,358,789	2,476,408	
Net profit (loss) before tax	-	-	1,867,723	5,284,452	295,091	
Net profit of continuing department	-	-	1,592,680	5,275,719	304,449	
Loss of discontinued department	-	-	-	-	-	
Net profit (loss)	-	-	1,592,680	5,275,719	304,449	
Other comprehensive income (after tax)	-	-	(1,182,993)	102,312	24,775	
Total comprehensive income	-	-	409,687	5,378,031	329,224	
Net profit (loss) attributable to parent company	-	-	-	-	-	
Net profit (loss) attributable to non-controlling equity	-	-	-	-	-	
Total comprehensive income attributable to parent company	-	-	-	-	-	
Total comprehensive income attributable to non-controlling equity	-	-	-	-	-	
EPS	-	-	0.69	2.27	0.13	

Note 1: The Company has adopted the IFRSs as of 2013. In order to deal with the IFRSs, some accounting titles in the financial information 2012 were reclassified and recalculated to be in line with the expressions in the financial statement 2013. For the financial information from 2009 to 2011, please refer to “(3) Individual Condensed Balance Sheet and Comprehensive Income Statement – the R.O.C. Financial Accounting Standards”. Each annual individual financial statement shall be audited and certified by an external auditor.

Note 2: The Company changed valuation methods in investment properties from cost value to fair value in 2014 under the rules of IFRS, previous statements have been adjusted retrospectively. Therefore, selected financial information for 2013 was re-calculated for comparison with 2014.

(II) Condensed balance sheet and comprehensive income statement - IFRSs

Consolidated condensed balance sheet - IFRSs

Currency Unit: NTD Thousand

Item \ Year		Financial information in the most recent five years (Note 1)					Financial Information ending March 31, 2015
		2010	2011	2012(Note 3)	2013(Note 3)	2014	
Current Assets		-	-	14,633,467	14,914,518	18,168,124	17,028,835
Property, plant and equipment		-	-	19,422,071	18,797,074	16,980,407	16,705,747
Intangible assets		-	-	49,787	21,972	20,169	19,719
Other assets		-	-	29,980,112	37,267,786	42,259,715	42,412,774
Total assets		-	-	64,085,437	71,001,350	77,428,415	76,167,075
Current liabilities	Before distribution	-	-	4,426,179	6,785,919	5,668,509	4,508,233
	After distribution	-	-	5,586,174	6,785,919	Note 2	-
Non-current liabilities		-	-	10,950,673	11,116,313	18,340,615	18,092,383
Total liabilities	Before distribution	-	-	15,376,852	17,902,232	24,009,124	22,600,616
	After distribution	-	-	16,536,847	17,902,232	Note 2	-
Equity attributable to the parent company		-	-	48,669,979	52,888,015	53,190,961	53,338,295
Capital stock		-	-	23,199,897	23,199,897	23,199,897	23,199,897
Capital surplus		-	-	0	0	0	-
Retained earnings	Before distribution	-	-	26,658,139	30,717,009	31,005,657	31,189,345
	After distribution	-	-	25,498,144	30,717,009	Note 2	-
Other equities		-	-	(1,188,057)	(1,028,891)	(1,014,593)	(1,050,947)
Treasury stock		-	-	0	0	0	-
Non-controlling equity		-	-	38,606	211,103	228,330	228,164
Total equity	Before distribution	-	-	48,708,585	53,099,118	53,419,291	53,566,459
	After distribution	-	-	47,548,590	53,099,118	Note 2	-

Note 1: The Company has adopted the IFRSs as of 2013. In order to deal with the IFRSs, some accounting titles in the financial information 2012 were reclassified and recalculated to be in line with the expressions in the financial statement 2013. For the financial information from 2009 to 2011, please refer to “(4) Consolidated Condensed Balance Sheet and Comprehensive Income Statement – the R.O.C. Financial Accounting Standards”. Each annual consolidated financial statement shall be audited and certified by an external auditor.

Note 2: The motion for earning distribution will be decided at the 2015 shareholders’ meeting

Note 3: The Company changed valuation methods in investment properties from cost value to fair value in 2014 under the rules of IFRS, previous statements have been adjusted retrospectively. Therefore, selected financial information for 2012 and 2013 was re-calculated for comparison with 2014. Therefore, selected financial information for 2012 and 2013 was re-calculated for comparison with 2014.

Consolidated Condensed Income Statement - IFRSs

Currency Unit: NTD Thousand

Item \ Year	Financial information in the most recent five years (Note 1)					Financial Information ending March 31, 2015
	2010	2011	2012	2013(Note 2)	2014	
Operating revenue	-	-	38,352,880	35,338,541	33,249,482	7,398,603
Gross profit	-	-	815,186	(531,830)	(763,163)	170,152
Operating profit or loss	-	-	(602,374)	(1,797,017)	(2,174,632)	(139,755)
Non-operating revenue and expense	-	-	2,547,032	7,116,678	2,527,223	332,705
Net profit (loss) before tax	-	-	1,944,658	5,319,661	352,591	192,950
Net profit of continuing department	-	-	1,579,928	5,245,067	294,532	182,950
Loss of discontinued department	-	-	0	0	0	-
Net profit (loss)	-	-	1,579,928	5,245,067	294,532	182,950
Other comprehensive income (after tax)	-	-	(1,182,993)	103,050	25,641	(35,782)
Total comprehensive income	-	-	396,935	5,348,117	320,173	147,168
Net profit (loss) attributable to parent company	-	-	1,592,681	5,275,719	304,449	183,688
Net profit (loss) attributable to non-controlling equity	-	-	(12,753)	(30,652)	(9,917)	(738)
Total comprehensive income attributable to parent company	-	-	409,688	5,378,031	329,224	147,334
Total comprehensive income attributable to non-controlling equity	-	-	(12,753)	(29,914)	(9,051)	(166)
EPS	-	-	0.69	2.27	0.13	0.08

Note 1: The Company has adopted the IFRSs as of 2013. In order to deal with the IFRSs, some accounting titles in the financial information 2012 were reclassified and recalculated to be in line with the expressions in the financial statement 2013. For the financial information from 2009 to 2011, please refer to “(4) Consolidated Condensed Balance Sheet and Comprehensive Income Statement – the R.O.C. Financial Accounting Standards”. Each annual consolidated financial statement shall be audited and certified by an external auditor.

Note 2: The Company changed valuation methods in investment properties from cost value to fair value in 2014 under the rules of IFRS, previous statements have been adjusted retrospectively. Some numbers reported in 2013 are recalculated in order to compile with the 2014 financial statements.

**(III) Individual balance sheet and comprehensive income statement –
R.O.C. Financial Accounting Standards**

Individual condensed balance sheet – R.O.C. Financial Accounting
Standards

Currency Unit: NTD Thousand

Year Item		Financial information in the most recent five years (Note 1)				
		2010 (Note 2)	2011	2012	2013	2014
Current Assets		11,627,092	21,987,723	13,335,209	-	-
Fund and investment		9,627,872	8,364,603	6,107,357	-	-
Other financial assets – non-current		49,029	19,983	22,956	-	-
Fixed assets (Note 2)		15,170,129	16,817,648	18,900,123	-	-
Intangible assets		-	-	-	-	-
Other assets		8,265,999	6,938,044	6,868,269	-	-
Total assets		44,740,121	54,128,001	45,210,958	-	-
Current liabilities	Before distribution	4,817,092	5,698,626	4,226,123	-	-
	After distribution	6,612,055	9,153,930	5,386,118	-	-
Long-term liabilities		6,973,826	6,001,713	1,359,681	-	-
Other liabilities		4,101,437	3,993,244	4,204,111	-	-
Total liabilities	Before distribution	15,892,355	15,693,583	9,789,915	-	-
	After distribution	17,687,318	19,148,887	10,949,910	-	-
Capital stock		17,949,630	19,744,593	23,199,897	-	-
Capital surplus		283,783	198,549	160,174	-	-
Retained earnings	Before distribution	5,886,425	13,222,398	7,729,869	-	-
	After distribution	4,091,462	9,767,094	6,569,874	-	-
Unrealized profit or loss from financial instruments		(438,132)	128,584	(1,000,897)	-	-
Accumulated translation adjustment		(189,956)	(133,648)	(190,171)	-	-
Net loss not recognized as pension cost		(9,421)	(7,848)	(7,919)	-	-
Unrealized revaluation increment		5,298,287	5,281,790	5,530,090	-	-
Equities related to non-current assets held for sale		67,150	-	-	-	-
Total shareholders' equity	Before distribution	28,847,766	38,434,418	35,421,043	-	-
	After distribution	27,052,803	34,979,114	34,261,048	-	-

Note 1: The Company has adopted the IFRSs as of 2013. For the financial information from 2013, please refer to “(1) Individual Condensed Balance Sheet and Comprehensive Income Statement – IFRSs”. Each annual individual financial statement shall be audited and certified by an external auditor.

Note 2: Some accounting titles in the financial information 2010 were reclassified to be in line with the expressions in the financial statement 2011.

Individual condensed income statement – R.O.C. Financial Accounting Standards

Currency Unit: NTD Thousand

Item \ Year	Financial information in the most recent five years (Note 1)				
	2010	2011	2012	2013	2014
Operating revenue	39,148,718	42,596,896	36,893,966	-	-
Gross profit (loss)	5,555,275	6,489,458	(139,582)	-	-
Operating profit (loss)	4,682,172	5,096,236	(1,058,853)	-	-
Non-operating revenue and gain	3,919,563	7,562,035	3,241,566	-	-
Non-operating expense and loss	1,621,529	636,475	489,591	-	-
Net profit (loss) before tax of continued departments	6,980,206	12,021,796	1,693,122	-	-
Net profit (loss) after tax of continued departments	6,323,309	10,925,899	1,418,079	-	-
Income of discontinued departments	-	-	-	-	-
Extraordinary income	-	-	-	-	-
Cumulative effects of changes in accounting principles	-	-	-	-	-
Income	6,323,309	10,925,899	1,418,079	-	-
Basic earnings (loss) per share (NT\$) (Note 2)	3.52	5.53	0.61	-	-
Basic earnings (loss) per share (NT\$) – retroactive adjustment (Note 3)	2.73	4.71	0.61	-	-

Note 1: The Company has adopted the IFRSs as of 2013. For the financial information from 2013, please refer to “(1) Individual Condensed Balance Sheet and Comprehensive Income Statement – IFRSs”. Each annual consolidated financial statement shall be audited and certified by an external auditor.

Note 2: Based on the outstanding shares under weighted average method

Note 3: Based on the earnings adjusted retroactively and outstanding shares under weighted average method upon recapitalization of employee bonus.

(IV) Consolidated condensed balance sheet and comprehensive income statement – R.O.C. Financial Accounting Standards

Consolidated condensed balance sheet – R.O.C. Financial Accounting Standards

Currency Unit: NTD Thousand

Year Item		Financial information in the most recent five years (Note 1)				
		2010 (Note 2)	2011	2012	2013	2014
Current Assets		13,305,781	23,338,350	14,653,752	-	-
Fund and investment		8,382,550	7,061,315	4,843,371	-	-
Other financial assets – non-current		62,991	34,400	25,395	-	-
Fixed assets (Note 2)		15,325,791	16,844,210	18,917,935	-	-
Intangible assets		126,394	62,409	54,040	-	-
Other assets		8,209,739	7,038,896	6,919,290	-	-
Total assets		45,413,246	54,379,580	45,413,783	-	-
Current liabilities	Before distribution	5,405,950	5,903,516	4,416,918	-	-
	After distribution	7,200,913	9,358,820	5,576,913	-	-
Long-term liabilities		6,999,626	6,018,913	1,359,681	-	-
Other liabilities		4,088,464	3,962,690	4,177,535	-	-
Total liabilities	Before distribution	16,494,040	15,885,119	9,954,134	-	-
	After distribution	18,289,003	19,340,423	11,114,129	-	-
Capital stock		17,949,630	19,744,593	23,199,897	-	-
Capital surplus		283,783	198,549	160,174	-	-
Retained earnings	Before distribution	5,886,425	13,222,398	7,729,869	-	-
	After distribution	4,091,462	9,767,094	6,569,874	-	-
Unrealized profit or loss from financial instruments		(438,132)	128,584	(1,000,897)	-	-
Accumulated translation adjustment		(189,956)	(133,648)	(190,171)	-	-
Net loss not recognized as pension cost		(9,421)	(7,848)	(7,919)	-	-
Unrealized revaluation increment		5,298,287	5,281,790	5,530,090	-	-
Equities related to non-current assets held for sale		67,150	-	-	-	-
Minority equity		71,440	60,043	38,606	-	-
Total shareholders' equity	Before distribution	28,919,206	38,494,461	35,459,649	-	-
	After distribution	27,124,243	35,039,157	34,299,654	-	-

Note 1: The Company has adopted the IFRSs as of 2013. For the financial information from 2013, please refer to “(2) Consolidated Condensed Balance Sheet and Comprehensive Income Statement – IFRSs”. Each annual consolidated financial statement shall be audited and certified by an external auditor.

Note 2: Some accounting titles in the financial information 2010 were reclassified to be in line with the expressions in the financial statement 2011.

Consolidated condensed income statement – R.O.C. Financial Accounting Standards

Currency Unit: NTD Thousand

Item \ Year	Financial information in the most recent five years (Note 1)				
	2010	2011	2012	2013	2014
Operating revenue	40,520,157	43,864,186	38,352,880	-	-
Gross profit (loss)	6,397,899	7,330,674	843,993	-	-
Operating profit (loss)	4,982,376	5,428,671	(570,382)	-	-
Non-operating revenue and gain	3,799,168	7,406,938	2,848,701	-	-
Non-operating expense and loss	1,732,755	752,278	508,263	-	-
Net profit (loss) before tax of continued departments	7,048,789	12,083,331	1,770,056	-	-
Net profit (loss) after tax of continued departments	6,319,141	10,908,116	1,405,326	-	-
Income of discontinued departments	-	-	-	-	-
Extraordinary income	-	-	-	-	-
Cumulative effects of changes in accounting principles	-	-	-	-	-
Income	6,319,141	10,908,116	1,405,326	-	-
Basic earnings (loss) per share (NT\$) (Note 2)	3.52	5.53	0.61	-	-
Basic earnings (loss) per share (NT\$) – retroactive adjustment (Note 3)	3.20	4.71	0.61	-	-

Note 1: The Company has adopted the IFRSs as of 2013. For the financial information from 2013, please refer to “(2) Consolidated Condensed Balance Sheet and Comprehensive Income Statement – IFRSs”. Each annual consolidated financial statement shall be audited and certified by an external auditor.

Note 2: Based on the outstanding shares under weighted average method

Note 3: Based on the earnings adjusted retroactively and outstanding shares under weighted average method upon recapitalization of employee bonus.

(V) The names of CPA conducting financial audits in the most recent five years and their audit opinions

Year	2010	2011	2012	2013	2014
External Auditor	Charles Chen	Melody Chen	Melody Chen	Melody Chen	Melody Chen
	Melody Chen	Charles Chen	Charles Chen	Charles Chen	Jeff Chen
Audit Opinion	Modified unqualified opinions	Modified unqualified opinions	Modified unqualified opinions	Modified unqualified opinions	Modified unqualified opinions

II. Financial Analysis for the most recent five years

(I) Individual financial analysis for the most recent five years - IFRSs

Currency Unit: NTD Thousand

Year (Note 1) Item (Note 3)		Financial Analysis for the most recent five years					Ending March 31, 2015
		2010	2011	2012 (Note 3)	2013 (Note 3)	2014	
Financial structure %	Liabilities to total assets	-	-	23.79	24.88	30.64	N/A
	Long-term fund to property, plant and equipment	-	-	308.08	340.61	431.36	
Insolvency %	Current ratio	-	-	314.40	159.27	216.65	
	Quick ratio	-	-	234.38	117.68	164.67	
	Times Interest Earned	-	-	106.52	496.54	4.86	
Utility	Receivables turnover (time)	-	-	10.77	11.57	11.98	
	Average number of days receivables outstanding	-	-	33.89	31.54	30.46	
	Inventory turnover (time)	-	-	13.23	12.58	13.47	
	Payables turnover (time)	-	-	17.16	15.32	18.65	
	Average number of days of sales	-	-	27.58	29.01	27.09	
	Property, plant and equipment turnover (time)	-	-	2.01	1.78	1.81	
	Total assets turnover (time)	-	-	0.63	0.51	0.43	
Profitability	ROA (%)	-	-	2.73	7.87	0.50	
	ROE (%)	-	-	3.71	10.39	0.57	
	Income before tax to paid-in capital (%) (Note 7)	-	-	8.05	22.78	1.27	
	Profit margin (%)	-	-	4.32	15.55	0.96	
	EPS (NT\$)	-	-	0.69	2.27	0.13	
Cash flow	Cash flow ratio (%)	-	-	(61.99)	(5.49)	(19.17)	
	Cash flow adequacy ratio (%)	-	-	106.14	81.55	57.26	
	Cash flow reinvestment ratio (%)	-	-	(4.18)	(0.59)	(1.60)	
Leverage	Operating leverage	-	-	(Note 2)	(Note 2)	(Note 2)	
	Financial leverage	-	-	(Note 2)	(Note 2)	(Note 2)	
The causes resulting in changes in financial rates in the most recent two years by more than 20%:							
1. The increase in liabilities to assets ratio ,long term capital to real estate and equipment ratio from 2013 to 2014 was a result of an increase in working capital loans in 2014.							
2. The increase in current ratio and quick ratio from 2013 to 2014 was a result of the decrease in working capital loans, and an increase in current assets and quick assets.							
3. The decrease in times interest earned from 2013 to 2014 was a result of the decrease in profit and increase in interest expenses in 2014.							
4. The payable turnover increase from 2013 to 2014 was a result of a decrease in account payables.							
5. The decrease in profitability financial ratios from 2013 to 2014 is a result after the amount and selling price of							

Caprolactam dropped from significant production gain in China. The decrease in non-operating revenue and expense was a result of decrease in recognition of investing properties gain compared to 2013, and the loss from halt in construction and financial debts loss also gained.

6. The decrease in cash flow ratios and cash flow reinvestment ratios from 2013 to 2014 was a result of decrease in net cash inflow from operating activities.
7. The decrease in cash flow adequacy ratio from 2013 to 2014 was a result of the decrease in the net cash flow from operating activities for the recent five years from 2013 and the increase in capital expenditure and cash dividend for the most recent five years from 2013.

Note 1: The Company has adopted the IFRSs as of 2013. In order to deal with the IFRSs, some accounting titles in the financial information 2012 were reclassified and recalculated to be in line with the expressions in the financial statement 2013. For the financial information from 2010 to 2011, please refer to “(3) Individual financial analysis for the most recent five years – the R.O.C. Financial Accounting Standards”. Each annual individual financial statement shall be audited and certified by an external auditor.

Note 2: The operating incomes were negative values, therefore, the financial ratios thereof was excluded from the calculation.

Note 3: The Company changed valuation methods in investment properties from cost value to fair value in 2014 under the rules of IFRS, previous statements have been adjusted retrospectively. Therefore, selected financial information for 2012 and 2013 was re-calculated for comparison with 2014.

(II) Consolidated financial analysis for the most recent five years - IFRSs

Currency Unit: NTD Thousand

Item (Note 3) \ Year (Note 1)		Financial Analysis for the most recent five years					Ending March 31, 2015
		2010	2011	2012 (Note 8)	2013 (Note 8)	2014	
Financial structure %	Liabilities to total assets	-	-	23.99	25.21	31.01	29.67
	Long-term fund to property, plant and equipment	-	-	307.17	341.62	422.60	428.95
Insolvency %	Current ratio	-	-	330.61	219.79	320.51	377.73
	Quick ratio	-	-	251.80	177.06	260.65	320.07
	Times Interest Earned	-	-	110.17	374.02	5.24	4.76
Utility	Receivables turnover (time)	-	-	11.20	11.99	11.98	9.75
	Average number of days receivables outstanding	-	-	32.58	30.44	30.46	37.43
	Inventory turnover (time)	-	-	12.80	12.29	12.91	12.61
	Payables turnover (time)	-	-	16.28	14.86	18.17	18.21
	Average number of days of sales	-	-	28.51	29.69	28.27	28.94
	Property, plant and equipment turnover (time)	-	-	2.08	1.85	1.86	1.76
	Total assets turnover (time)	-	-	0.65	0.52	0.45	0.39
Profitability	ROA (%)	-	-	2.69	7.78	0.49	0.29
	ROE (%)	-	-	3.68	10.30	0.55	0.34
	Income before tax to paid-in capital (%) (Note 7)	-	-	8.38	22.93	1.52	0.83
	Profit margin (%)	-	-	4.12	14.84	0.89	2.47
	EPS (NT\$)	-	-	0.69	2.27	0.13	0.08
Cash flow	Cash flow ratio (%)	-	-	(61.56)	(2.00)	(32.65)	3.20
	Cash flow adequacy ratio (%)	-	-	107.97	95.83	53.33	22.93
	Cash flow reinvestment ratio (%)	-	-	(4.32)	(0.22)	(2.73)	0.21
Leverage	Operating leverage	-	-	Note 2	Note 2	Note 2	Note 2
	Financial leverage	-	-	Note 2	Note 2	Note 2	Note 2
The causes resulting in changes in financial rates in the most recent two years by more than 20%: 1. The increase in liabilities to assets ratio ,long term capital to real estate and equipment ratio from 2013 to 2014 was a result of the increase in operating loans. 2. The increase in current ratio and quick ratio 2013 to 2014 was a result of decrease in current liabilities, decrease in current assets and increase in quick assets. 3. The decrease in times interest earned from 2013 to 2014 was a result of the decrease in profit and increase in interest expenses in 2014. 4. The payable turnover increase from 2013 to 2014 was a result of decrease in average account payables.							

5. The decrease in financial ratios of profitability from 2013 to 2014 was a result after the amount and selling price of Caprolactam dropped from significant production gain in China. The decrease in non-operating revenue and expense was a result of decrease in recognition of investing properties gain compared to 2013, and the loss from halt in construction and financial debts loss also gained.
6. The decrease in cash flow ratios and cash flow reinvestment ratios from 2013 to 2014 was a result of decrease in net cash inflow from operating activities.
7. The decrease in cash flow adequacy ratio from 2013 to 2014 was a result of the decrease in the net cash flow from operating activities for the recent five years from 2013 and the increase in capital expenditure and cash dividend for the most recent five years from 2013.

Note 1: The Company has adopted the IFRSs as of 2013. In order to comply with IFRSs, some accounting titles in the financial information 2012 were reclassified and recalculated to be in line with the expressions in the financial statement 2013. For the financial information from 2010 to 2011, please refer to “4. Consolidated financial analysis for the most recent five years – the R.O.C. Financial Accounting Standards”. Each annual consolidated financial statement shall be audited and certified by an external auditor.

Note 2: The operating incomes were negative values and, therefore, the financial ratios thereof was excluded from the calculation.

Note 3: The formulas of the above table is as follows:

1. Financial structure

- (1) Liabilities to total assets = Total liabilities / total assets
- (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / property, plant and equipment, net

2. Insolvency

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets - inventory - prepayment) / current liabilities
- (3) Times Interest Earned = income tax and interest expenses / net income before income tax / interest expenses in the current period

3. Utility

- (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)
- (2) Average number of days receivable outstanding = 365 / accounts receivable turnover
- (3) Inventory turnover = sale cost / average inventory
- (4) Payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)
- (5) Average number of days of sales = 365 / inventory turnover
- (6) property, plant and equipment turnover = net sales / average property, plant and equipment, net
- (7) Total assets turnover rate = net sales / average total assets

4. Profitability

- (1) ROA = [income after income tax + interest expense * (1 - tax rate)] / average total assets.
- (2) ROE = Income after income tax / average total equity
- (3) Profit margin = Income After income tax / net sales
- (4) Earnings per Share = (income attributable to parent company – dividends from preferred shares) / weighed average quantity of outstanding shares (Note 4)

5. Cash flow

- (1) Cash flow ratio=Net cash flow from operating activities/current liabilities
- (2) Net cash flow adequacy ratio= Net cash flow from operating activities in the most recent five years/ (capital spending + increase in inventory + cash dividends) in the most recent five years
- (3) Cash reinvestment ratio=(Net cash flow from operating activities-cash dividends)/(gross of property, plant and equipment+ long-term investment+ other non-current assets+ working capital)(Note 5)

6. Leverage:

- (1) Operating leverage=(Net operating revenue-changed operating costs and expenses)/operating income (Note 6)
- (2) Financial leverage=Operating income/(operating income-interest expenses)

Note 4: The following shall be considered in assessing the equation for EARNINGS PER SHARE as aforementioned:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual EARNINGS PER SHARE of the year. The period for the release of such new shares may be omitted.
4. If the preferred stock is non-convertible cumulative preferred stocks, dividend for the year (issued or not) shall be subtracted from net profit after tax or added to net loss after tax .If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after tax if net profit after tax is earned, or no adjustment is required if loss arises.

Note 5: Consider the followings in conducting cash flow analysis:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the cash outflow to annual capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends includes the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refer to total property, plant and equipment before subtracting by accumulated depreciation.

Note 6: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgement is involved, please note the reasonability and consistency.

Note 7: In the case of shares issued by the Company with no par value or a par value other than NT\$10 per share, said calculation about the percentage to the paid-in capital shall be replaced by the equity attributable to the parent company identified in the balance sheet.

Note 8: The Company changed valuation methods in investment properties from cost value to fair value in 2014 under the rules of IFRS, previous statements have been adjusted retrospectively. Therefore, selected financial information for 2012 and 2013 was re-calculated for comparison with 2014.

(III) Individual financial analysis for the most recent five years – the R.O.C. Financial Accounting Standards

Currency Unit: NTD Thousand

Items \ Year		Financial information in the most recent five years (Note 1)				
		2010	2011	2012	2013	2014
Financial structure %	Liabilities to total assets	35.52	28.99	21.65	-	-
	Long-term fund to fixed assets	236.13	264.22	194.61	-	-
Insolvency %	Current ratio	241.37	385.84	315.54	-	-
	Quick ratio	187.07	287.65	229.14	-	-
	Times Interest Earned	41.99	168.37	96.66	-	-
Utility	Receivables turnover (time)	13.30	12.55	10.77	-	-
	Average number of days receivables outstanding	27.44	29.08	33.89	-	-
	Inventory turnover (time)	16.94	15.27	13.81	-	-
	Payables turnover (time)	23.53	23.61	17.15	-	-
	Average number of days of sales	21.54	23.90	27.61	-	-
	Fixed assets turnover (time)	2.58	2.53	1.95	-	-
	Total assets turnover (time)	0.88	0.79	0.82	-	-
Profitability	ROA (%)	14.83	22.22	2.88	-	-
	ROE (%)	24.71	32.48	3.84	-	-
	To paid-in capital (%)	Operating income	26.09	25.81	(4.56)	-
		Income before tax	38.89	60.89	7.30	-
	Profit margin (%)	16.15	25.65	3.84	-	-
	Basic earnings per share (NT\$)	3.52	5.53	0.61	-	-
	Basic earnings per share (NT\$) – retroactive adjustment	3.20	4.71	0.61	-	-
Cash flow	Cash flow ratio (%)	119.04	142.42	(6.86)	-	-
	Cash flow adequacy ratio (%)	386.19	236.15	121.49	-	-
	Cash flow reinvestment ratio (%)	9.12	8.66	(5.77)	-	-
Leverage	Operating leverage	4.28	4.22	(Note 2)	-	-
	Financial leverage	1.04	1.01	(Note 2)	-	-

Note 1: The Company has adopted IFRSs as of 2013. For the individual financial analysis of 2013 and 2014, please refer to “1. Financial analysis for the most recent five years – IFRSs”. Each annual individual financial statement shall be audited and certified by an external auditor.

Note 2: The operating income 2012 were negative values and, therefore, the financial ratios thereof was excluded from the calculation.

(IV) Consolidated financial analysis for the most recent five years – the R.O.C. Financial Accounting Standards

Currency Unit: NTD Thousand

Items		Year	Financial information in the most recent five years (Note 1)				
			2010	2011	2012	2013	2014
Financial structure %	Liabilities to total assets		36.32	29.21	21.92	-	-
	Long-term fund to fixed assets		235.29	264.27	194.63	-	-
Insolvency %	Current ratio		246.13	395.33	331.76	-	-
	Quick ratio		185.37	298.04	245.04	-	-
	Times Interest Earned		31.21	167.75	100.37	-	-
Utility	Receivables turnover (time)		13.81	12.96	11.20	-	-
	Average number of days receivables outstanding		26.43	28.16	32.58	-	-
	Inventory turnover (time)		15.62	13.80	13.21	-	-
	Payables turnover (time)		22.76	22.03	16.26	-	-
	Average number of days of sales		23.36	26.44	29.25	-	-
	Fixed assets turnover (time)		2.65	2.60	2.03	-	-
	Total assets turnover (time)		0.89	0.81	0.84	-	-
Profitability	ROA (%)		14.73	21.98	2.85	-	-
	ROE (%)		24.66	32.36	3.80	-	-
	To paid-in capital (%)	Operating income	27.76	27.49	(2.46)	-	-
		Income before tax	39.27	61.20	7.63	-	-
	Profit margin (%)		15.60	24.87	3.66	-	-
	Basic earnings per share (NT\$)		3.52	5.53	0.61	-	-
	Basic earning per share (NT\$) – retroactive adjustmen		3.20	4.71	0.61	-	-
Cash flow	Cash flow ratio (%)		104.13	141.05	(3.82)	-	-
	Cash flow adequacy ratio (%)		334.80	216.97	119.85	-	-
	Cash flow reinvestment ratio (%)		8.89	8.95	(5.59)	-	-
Leverage	Operating leverage		4.22	4.13	(Note 2)	-	-
	Financial leverage		1.05	1.01	(Note 2)	-	-

Note 1: The Company has adopted IFRSs as of 2013. For the consolidated financial analysis 2013 and 2014, please refer to “(2) Consolidated financial analysis for the most recent five years – IFRSs”. Each annual consolidated financial statement shall be audited and certified by an external auditor.

Note 2: The operating income 2012 were negative values and, therefore, the financial ratios thereof was excluded from the calculation.

Note 3: The formulas of the above table is as follows:

1. Financial structure

(1) Liabilities to total assets = Total liabilities/total assets

(2) Long-term fund to fixed assets=(total shareholders’ equity+long-term liabilities)/fixed assets, net

2. Insolvency
 - (1) Current ratio=current assets/current liabilities
 - (2) Quick ratio=(current assets-inventory-prepayment)/current liabilities
 - (3) Times Interest Earned = income tax and interest expenses net income before income tax/interest expenses in the current period
3. Utility
 - (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)
 - (2) Average number of days receivable outstanding = 365 /accounts receivable turnover
 - (3) Inventory turnover=sale cost/average inventory
 - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)
 - (5) Average number of days of sales=365/inventory turnover
 - (6) Total fixed assets turnover rate = net sales/net total fixed assets
 - (7) Total assets turnover rate = net sales/total assets
4. Profitability
 - (1) ROA = [income after income tax+interest expense*(1-tax rate)]/average total assets.
 - (2) ROE = Income after income tax/average total shareholders' equity
 - (3) Profit margin = Income After income tax/net sales
 - (4) Earnings per Share = (net profit after tax – dividends from preferred shares)/weighed average quantity of outstanding shares
5. Cash flow
 - (1) Cash flow ratio=Net cash flow from operating activities/current liabilities
 - (2) Net cash flow adequacy ratio= Net cash flow from operating activities in the most recent five years/ (capital spending + increase in inventory + cash dividends) in the most recent five years
 - (3) Cash reinvestment ratio=(Net cash flow from operating activities-cash dividends)(gross of fixed assets+ long-term investment +other assets+ working capital)
6. Leverage:
 - (1) Operating leverage=(Net operating revenue-changed operating costs and expenses)/operating income
 - (2) Financial leverage=Operating income/(operating income-interest expenses)

Note 4: The sale costs applied in the calculation of said financial ratios are exclusive of the allowance for the loss from inventory price declination or gain from inventory price declination recovery in the current year.

III. Audit Committee's Audit Report on the Financial Statement for the Most Recent Year

CHINA PETROCHEMICAL DEVELOPMENT CORPORATION

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2014 Business Report, Financial Statements, Consolidated Financial Statements and Loss Appropriation Statement for 2014. The CPA firm of KPMG was retained to audit China Petrochemical Development Corporation's Financial Statements and Ms. Melody Chen and Mr. Charles Chen have issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, Consolidated Financial Statements and loss appropriation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of China Petrochemical Development Corporation. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

China Petrochemical Development Corporation

Convener of the Audit Committee:

陳瑞隆 陳瑞隆

April 29, 2015

IV. INDEPENDENT ACCOUNTANTS' AUDIT REPORT
(Page F1 - Page F90)

V. In the case of any insolvency of the Company and its affiliates, specify its effect on the Company's financial position

N/A

Seven. Review and Analysis of Financial Position and Financial Performance, and Risk Management

I. Financial position comparison and analysis

Currency Unit: NTD Thousand

Item \ Year	2014	2013	Variance	
			Amount	%
Current Assets	18,168,124	14,914,518	3,253,606	21.82
Property, plant and equipment	16,980,407	18,797,074	(1,816,667)	(9.66)
Intangible assets	20,169	21,972	(1,803)	(8.21)
Other assets	42,259,715	37,267,786	4,991,929	13.39
Total assets	77,428,415	71,001,350	6,427,065	9.05
Current liabilities	5,668,509	6,785,919	(1,117,410)	(16.47)
Non-current liabilities	18,340,615	11,116,313	7,224,302	64.99
Total liabilities	24,009,124	17,902,232	6,106,892	34.11
Capital stock	23,199,897	23,199,897	0	-
Capital surplus	0	0	0	-
Retained earnings	31,005,657	30,717,009	288,648	0.94
Other equities	(1,014,593)	(1,028,891)	14,298	1.39
Non-controlling equity	228,330	211,103	17,227	8.16
Total shareholders' equity	53,419,291	53,099,118	320,173	0.60
Notes to significant changes:				
1. The increase in current assets was a result of cash flows from financing activities and gains in cash equivalent in 2014.				
2. The decrease in property, plants and equipments resulted from impaired loss recognized from the cyclic ketone factory in 2014.				
3. The increase in other assets was a result from value gain in investment properties according to appraisal reports in 2014.				
4. The decrease in current liabilities was a result of decrease in short term debt and account payables in 2014.				
5. The increase in non-current liabilities was a result of increase in operation funds loans, issuing convertible corporate bonds and estimated accrued remediation spendings in 2014.				
6. The increase in retained earnings was a result of gain in net income.				

II. Analysis on financial performance

Currency Unit: NTD Thousand

Item	Year	2014		2013		Increase/Decrease	Ratio %
		Subtotal	Total	Subtotal	Total		
Total operating revenue		33,249,482		35,338,541		(2,089,059)	(5.91)
Less: Sales return and discount		0		0			
Operating revenue, net			33,249,482		35,338,541	(2,089,059)	(5.91)
Operating cost			34,012,188		35,871,077	(1,858,889)	(5.18)
Less: Unrealized sales profit and loss			931		474	457	96.41
Add: Realized sales profit and loss			474		1,180	(706)	(59.83)
Gross profit (loss)			(763,163)		(531,830)	(231,333)	43.50
Operating expenses			1,411,469		1,265,187	146,282	11.56
Operating profit or loss			(2,174,632)		(1,797,017)	(377,615)	21.01
Non-operating revenue and expense			2,527,223		7,116,678	(4,589,455)	(64.49)
Net profit (loss) before tax			352,591		5,319,661	(4,967,070)	(93.37)
Less: Income tax gain (expense)			(58,059)		(74,594)	16,535	(22.17)
Net profit (loss)			294,532		5,245,067	(4,950,535)	(94.38)
Other comprehensive income (after tax)			25,641		103,050	(77,409)	(75.12)
			320,173		5,348,117	(5,207,944)	(94.01)
Total comprehensive income							
Net profit (loss) attributable to parent company in current period			304,449		5,275,719	(4,971,270)	(94.23)
Net profit (loss) attributable to non-controlling equity in the current period			(9,917)		(30,652)	20,735	(67.65)
Total comprehensive income attributable to parent company			329,224		5,378,031	(5,048,807)	(93.88)
Comprehensive income attributable to non-controlling equity			(9,051)		(29,914)	20,863	(69.74)

Notes to increase/decrease:

1. Operating revenue and gross profit:

The decrease was a result of the production increase in 2014 of CPL products in China, which lead to a drop in both sales volume and price.

2. Operating expense and operating income: the increase was a result of increase in overseas selling expenses and increase in recognition of impair loss in accounts receivables from subsidiaries in 2014.

3. Non-operating revenue and gain:

The decrease was incurred because of the decrease in fair value in real estates of investment, NT\$1.538 billion; recognized expenses of Anshun plant in Tainan, NT\$1.356 billion; loss recognized in impairment of equipment, NT\$1.215 billion; and loss from fair value recognized financial debts, NT\$0.507 billion.

III. Review and Analysis of Cash Flow

Currency Unit: NTD Thousand

Balance of cash – beginning (1)	Net cash flow from operating activities in the year (2)	Cash outflow in the year (3)	Surplus (deficit) (1)+(2)-(3)	Remedy for deficit in cash	
				Investment project	Wealth management project
8,186,545	(1,850,522)	4,076,167	10,412,190	-	-
(I) Analysis of variance in cash flows: - Operating activities: Net cash outflow, NT\$1,850,522 thousand, mainly the prepayment of finished products purchased and material costs increase in both domestic and oversea markets, machine and equipment purchase incurred pledged deposits increased and decrease in other account payables. - Investing activities: Net cash outflow NT\$1,194,265 thousand, primarily as a result of the payment made for acquisition of plant & equipment, available-for-sale financial assets. - Financing activities: Net cash inflow NT\$5,270,432 thousand, primarily as a result of demand from operation and investment in China, thus incurred cash management and financing loans, and issuance of corporate bonds abroad. (II) Remedy for deficit in cash and liquidity analysis: - Remedy for deficit in cash: None (surplus) - Liquidity analysis: The decrease in cash flow ratio and cash reinvestment ratio in 2014 compared to 2013 was a result of the decrease in net cash inflow from operating activities. The cash outflow from investing activities was a result of the acquisition of plant & equipment and financial assets. The cash inflow from financing activities was a result of the operating financing and issuance of corporate bonds oversea. (III) Analysis of variance in cash flows for the future year: - Operating activities: Projected net cash inflow, NT\$2,000,645 thousand - Investing activities: Projected net cash outflow, NT\$4,577,044 thousand, primarily as a result of the long-term equity investment and purchase of fixed assets. - Financing activities: Net cash inflow NT\$2,700,305 thousand, primarily as a result of the wealth management and financing derived in order to meet the operating needs. - Remedy for deficit in cash: None (surplus)					

IV. Major capital expenditure for the most recent year and its effect on financial position and operation of the Company

N/A.

V. Direct investment policy, the main reasons for profit or loss, and corrective action plan for the most recent year, and investment plan in the next year

CPDC's reinvestment policy still focuses on the core competitiveness in the petrochemical-related industries. The invested objective shall be selected in terms of downstream and upstream or vertical integration, business development and revitalization of assets.

In 2014, global economic conditions improved, leading to an increase demand for petrochemical products. However, the closure of Naphtha Cracker Section V plants in Q2, Kaohsiung gas explosion incident in Q3 and drop in global oil prices led the price of petrochemical products lower. As a result, the domestic petrochemical industry only grew slightly in 2014. The Company achieved growth in operational performance of subsidiary companies, compared to 2013. As for the recent entry into the biotech industry by the Company, products are only at the research and development stage, thus unable to contribute to profits as of yet.

In consideration of the Company's long-term development and sustainable operation, the Company will, subject to the needs and strategy for business expansion, keep paying attention to relevant industrial development domestically and overseas and carefully evaluate adequate investment objectives. Notwithstanding, the Company will still take upon new energy, specialty chemical products, precision chemical products and bio-tech-related industries developments as the first priority.

Upon thorough evaluation, the Company is engaging in the trading of storage tanks and chemical products in Yang Kuan Island, Chiangsu Province, China. Also, the Company plans to establish a plant in Rudong, Nantong. The 1st-phase plant construction project for Rudong Plant in Nantong, China, has been approved by the Investment Commission, M.O.E.A; and subsequently followed by finishing construction feasibility and environment impact reports, currently waiting for approval from officials.

VI. Analysis of risk factors: analyze and assess the following circumstances for the most recent year and until the date of publication of the annual report

(I) Impact of interest and exchange rate changes and inflation, and their future countermeasures:

1. Impact on the Company's income:

Item	2014 (NTD Thousand; %)
Net interest revenue	(22,385)
Net exchange gain	11,729
Net interest revenue to net operating revenue	(0.07%)
Net interest revenue to net profit before tax	(6.35%)
Net exchange gain to net operating revenue	0.04%
Net exchange gain to net profit before tax	3.33%

(1) Interest rate

The Company's interest rate risk primarily derives from interest accrued based on a floating interest rate arising from long-term/short-term debt. In order to hedge interest fluctuation risk, the Company undertakes transactions when the interest rate stays low after carefully evaluating the financial market trends. Therefore, even if the interest rate fluctuates due to uncertain factors, no material impact would be caused to the Company.

(2) Exchange rate

The Company's major product lines and raw materials are mostly priced at USD and the payment thereof is collected or made in NTD (other than those for import/export). The exchange rate fluctuation would affect the cost and revenue of such petrochemical products as CPL and AN. There are no outstanding balances of any unsettled financial derivatives transactions subject to exchange rate fluctuation risk at the end of 2014.

(3) Inflation

The Company primarily procures petrochemical raw material locally or domestically, or imports raw materials and supplies. The Company would be primarily affected by the change of the international raw material price, while the domestic inflation would render less impact to the Company comparatively.

2. Future countermeasures:

(1) Countermeasures against interest rate fluctuations

The Company will continue to make every effort to ask financing banks for preferential interest rates to reduce the Company's interest expenses, and will try to reduce its average cost of capital through multiple fund-raising channels.

(2) Countermeasures against exchange rate fluctuations

The Company adopts a natural hedge against exchange rate fluctuations, and selects optimal timing to engage in spot foreign exchanges primarily based on the net foreign exchange position after the offset of sales revenue priced based on foreign exchange rate against the sales expenses, subject to the market condition and position, in order to hedge exchange rate fluctuation risks.

(3) Countermeasures against inflation

The largest niche for the Company's competition with others is based on the stable supply of a majority of the Company's major raw materials, including such international petrochemical raw materials and supplies as propylene, sulfur, natural gas, fuel oil, and benzene, by CPC and other local suppliers, as the price is calculated based on specific equations and also international price. Although domestic inflation renders a lesser impact to the Company, the Company still continues to boost various resolutions through the market mechanism and process improvement, in

order to reduce its cost.

(II) Policy on high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as derivatives transactions, major causes for profits or losses and future countermeasures:

The Company has not granted loan to others or made endorsement/guarantee for others, nor has it engaged in investment of high-risk or high-leverage derivatives.

The derivatives transaction policy: No unsettled balance of the derivatives transaction existed at the end of 2014.

(III) Future R&D plans and expected R&D expenditure:

The Company's future R&D plans consist of:

1. Improvement of the existing production process; 2. Development of correlative products; 3. Three major orientations of new product development

(1) Improvement of the existing production process:

In order to improve the competing strength of phenolic letong production processes, the Company had combined the plant and R&D center in a project group, to optimize and improve the quality of catalysts. The Company also seeks to reach a breakthrough in technique and process, thus ensure the quality of successful products and cost advantages.

(2) Development of correlative products:

Recover and purify the value materials of the byproducts, e.g. recycling of waste liquid caustic soda and purification/separation of monoacid/diacid, and recovery of such valuable materials as light ends.

(3) New product development:

Including development of functional high polymer, ester

derivates and special chemical products, and application and research of products.

The Company has planned expenditures of about NT\$260,035,000 in R&D activities in 2015. The expenditures to be spent in R&D each year in the future will be subject to the progress of the R&D plan.

Statistics of R&D expenses invested by CPDC and its subsidiaries in the past years

Year	2010	2011	2012	2013	2014	2015(Projected) (Note 1)
Amount (NTD thousand)	298,720	558,571	229,565	227,201	196,090	260,035

Note 1: Included the estimate amount of subsidiary Taivex Therapeutics Corporation in 2015

(IV) Changes in important policies and legal environment at home and abroad, and the effect on the financial status and operation of the Company, and Countermeasures: N/A

(V) The effect of technological and industrial changes on financial status and operation of the Company, and countermeasures: N/A

(VI) Impact of changes in corporate identity on the Company's crisis management, and countermeasures: N/A

(VII) Expected benefits and possible risks of merger and acquisition, and countermeasures: N/A

(VIII) Expected benefits and possible risks of facilities expansion, and countermeasures:

In order to respond to the change in the market of CPL and reduce production cost, the Company plans to install the anone production process at Tou-Fen Plant with the production technology developed by itself. It is expected that the entire production cost of CPL will be reduced by 250US/MT. In 2013, the Board of Directors authorized the establishment of the anone plant with the productivity of 100,000 MT/year. The plant had already started the production in Q4, 2014.

According to the analysis on supply & demand in the CPL market, Taiwan's dependence on imported CPL still remains at 60%. The supply and demand of CPL in Mainland China changed remarkably. Its own production capability was upgraded drastically, and its dependence on imported CPL declined drastically, even facing an overproduction situation, resulting in the lowest price of CPL in most recent years. In order to mitigate the impact caused by the change in CPL market to the Company, the Company's relevant units will be dedicated to adjust the production amount, actively search possible solutions in lowering material and production costs, thus maximizing profits for the Company.

(IX) Risk from centralized purchasing or selling, and countermeasures:

The primary raw materials for the AN produced by the Company refers to propylene, and one of the important raw materials for CPL produced by the Company refers to natural gas. If the supply of primary raw materials is defective, the Company's production of AN and CPL will be affected.

Meanwhile, Kaohsiung Plant of CPC is scheduled to be relocated or shut down in 2015. With respect to Da-Sheh Industrial Park where the Company's Da-Sheh Plant is located, Kaohsiung County Government issued the official letter under (87) Fu-Chien-Tu-Tze No. 211694 dated November 7, 1998 on "Motions for Changing Da-Sheh Urban Plan (3rd overall review)", in which the conditions identified in the motion No. 7 required that "the manufacturers in the special industrial park shall be relocated before 2018, and the park shall be changed to Type-B industrial park by the County Government pursuant to the statutory procedure." Meanwhile, Kaohsiung City Government asked the Ministry of Interior to authorize the "Motion for Changing Da-Sheh Urban Plan (4th overall review)" via its official letter under Kao-Shih-Fu-Tu-Fa-Kuei-Tze No.

10130250600 dated January 13, 2012. As a result, the City Government held that the same motion should remain sustained. Therefore, if the motion sustains constantly, the Company's Da-Sheh Plant might be forced to be relocated or shut down. Therefore, the Company will file a claim with the Government together with the other manufacturers in the same trade to seek the relevant remedy and keep Da-Sheh Plant operating at the original production location or seek another potential alternative. If the Government could not solve the situation successfully, the existence and development of the local petrochemical industry and the Company will be severely affected.

The Company's primary product lines, CPL and AN, refer to the main raw materials supplied to downstream nylon, acrylic fiber and ABS plastic industries. CPL and AN refers to the basic raw materials for petrochemical downstream products. The Company's customers are primarily a few chemical fiber textile plants, given specific industrial characteristics.

(X) Impact and risk associated with large share transfers or changes in shareholdings of directors, supervisors, or shareholders who hold more than 10% of the Company's shares, and countermeasures: N/A

(XI) Impact and risk associated with changes in management rights, and countermeasures: N/A

(XII) Litigation and non-litigation matters:

§ Against the Company

1. "Administrative disposition under Nan-Shih-Fu Huan-Shui-Tze No. 09722014930"

(1) Fact at issue:

Tainan City Government ordered the appellant, via its official letter under Nan-Shih-Fu Huan-Shui-Tze No. 09722014930 dated June 20, 2008, to pay NT\$88,786,006, as advanced by Environmental Protection Administration and Tainan City Government for An-Shun Site, to the Soil

and Underground Water Pollution Remediation Fund account before July 31, 2008.

(2) Claimed value: NT\$88,786,006

(3) Date of initiation: June 2008

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The judgement rendered by Kaohsiung High Administrative Court holding that part of the expenses payable by the Company exceed NT\$88,430,139 was revoked. The Company filed an appeal with the Supreme Administrative Court. As a result, the original judgement was revoked and remanded to Kaohsiung High Administrative Court for another judgement. Meanwhile, the part of the original judgement rendered in November 2013 holding that the amount exceeds NT\$76,060,447 was revoked. Both sides appealed against their negative injunctions. After hearing by the Supreme Administrative Court, in March 2015, a further judgement was announced, abandoning the previous trial and litigation costs, and judgements that exceed NT\$203,316, and remanded to Kaohsiung High Administrative Court for next hearing.

The determined part of the revoked NT\$355,867 has been refunded by the Tainan City Government.

2. Damages to An Shun residents

(1) Fact at issue:

The plaintiffs including Wu initiated the complaint alleging that Taiwan Soda Ash Co., Ltd., An Shun Plant, as consolidated by CPDC pursuant to the order of Ministry of Economic Affairs, produced such material as dioxin due to production of PCP prior to the consolidation, thereby

causing damage to the plaintiffs. Therefore, CPDC should be liable for the damages due to the consolidation.

(2) Claimed value: NT\$351,750,000

(3) Date of initiation: July 2008

(4) Parties:

Plaintiff: Wu, et al.

Defendant: CPDC, MOEA, Tainan City Government, and Environmental Protection Bureau of Tainan City Government

(5) Status: Pending trial by Tainan District Court

3. Land tax for 2009, 2010, 2011, 2012, 2013, and 2014 payable by the Company on the land in Chienchen

(1) Fact at issue:

The 20 lots of land located at No. 356, Hsien The Section, Chienchen Township, Kaohsiung City and 14 lots of land located at No. 4, Hsing Bang Section, totaling 34 lots of land, were contaminated. As a result, the land was published by Kaohsiung City Government as a “Soil Pollution Control Site” and “Soil Pollution Control Zone” in accordance with the Soil and Groundwater Pollution Remediation Act (hereinafter referred to as the “Remediation Act”), and could not be utilized for any purpose other than remediation. The Company applied for land tax credit/exemption in accordance with Article 12 of the Land Tax Reduction and Exemption Regulations. The Revenue Service District Office of Kaohsiung City responded in writing that the Company did not meet the requirement, and still issued the tax bill. Therefore, the Company petitioned for the administrative remedy pursuant to applicable laws.

(2) Claimed value:

A. Tax payment 2009: NT\$63,480,644

B. Tax payment 2010: NT\$58,602,921

C. Tax payment 2011: NT\$58,904,456

D. Tax payment 2012: NT\$59,197,831

E. Tax payment 2013: NT\$64,173,474

F. Tax payment 2014: NT\$64,484,592

(3) Date of initiation: December 2008

(4) Parties:

Plaintiff: CPDC

Defendant: Revenue Service District Office of Kaohsiung City

(5) Status:

A. Tax payment 2009:

(a) Application for land tax credit/exemption:

Kaohsiung High Administrative Court rendered the a judgement that was unfavorable to the Company.

After the Company filed an appeal, the Supreme Administrative Court remanded the case for another judgement. Kaohsiung High Administrative Court and the Supreme Administrative Court rendered the judgement revoking the application. In August 2014 the Company initiated the petition for reexamination pursuant to laws, and the issue now is under hearing by the Supreme Administrative Court.

(b) Reexamination of land tax: The Company initiated the administrative remedy pursuant to laws.

Kaohsiung High Administrative Court and Supreme Administrative Court rendered a judgement unfavorable to the Company, with the judgement being final and irrevocable.

B. Tax payment 2010:

(a) Application for land tax credit/exemption: The

Company initiated the administrative remedy pursuant to laws, and Kaohsiung High Administrative Court rendered a judgement revoking the petition. In December 2014 the Company filed an appeal, and the issue is now under examination by the Supreme Administrative Court.

- (b) Reexamination of land tax: The Company initiated the administrative remedy pursuant to laws. Kaohsiung High Administrative Court and Supreme Administrative Court rendered the judgement in disfavor of the Company. The Company initiated the petition for reexamination. Notwithstanding, the Supreme Administrative Court rendered the judgement, revoking the petition in June 2013.

C. Tax payment 2011: The Company petitioned for administrative remedy against the application for land tax credit/exemption pursuant to laws. Kaohsiung High Administrative Court and the Supreme Administrative Court rendered the judgement revoking the petition. In August 2014 The Company initiated the petition for reexamination pursuant to laws. In March 2015 the Supreme Administrative Court rendered the judgement revoking the petition and ruled Kaohsiung High Administrative Court should examine certain evidentiary questions.

D. Tax payment 2012:

- (a) Application for land tax credit/exemption: The Company petitioned for the administrative remedy pursuant to laws. Kaohsiung High Administrative Court and the Supreme Administrative Court rendered a judgement revoking the petition. In April 2015 the Company initiated the petition for reexamination, and is now under examination by the Supreme Administrative Court.

- (b) Reexamination of land tax: The Company filed an appeal pursuant to laws. Notwithstanding, the appeal was revoked and the judgement became final and irrevocable.

E. Tax payment 2013:

The Company initiated the petition for application for land tax credit/exemption on pursuant to laws in October 2013. In February 2015 The Kaohsiung City Government rendered a judgement revoking the petition, and In April 2015 the Company plans to appeal for the remedy pursuant to laws.

F. Tax payment 2014:

The Company initiated the petition for application for land tax credit/exemption on pursuant to laws in October 2014. The Kaohsiung City Government rendered the judgement revoking the petition in February 2015, and In April 2015 the Company filed an appeal for the remedy pursuant to laws.

4. “Administrative disposition under Nan-Shih-Fu Huan-Shui-Tze No. 09822019560”

(1) Fact at issue:

Tainan City Government ordered the appellant, via its official letter under Nan-Shih-Fu Huan-Shui-Tze No. 09822019560 dated July 23, 2008, to pay the out-of-pocket expenses for the road pipeline relocation and installation at “Soil Pollution Control Site at 1K+800 to 2K+815 Section of Road No. 9, Er Teng, Annan District, Tainan City” to the account of Environmental Protection Bureau of Tainan City Government before August 31, 2009. The decision was served to the Company in July 2009.

(2) Claimed value: NT\$8,246,665(corrected as NT\$8,241,593 later)

(3) Date of initiation: August 2008

(4) Parties:

Appellant: CPDC

(5) Status:

Environmental Protection Administration, Executive Yuan held that the case should be prosecuted through the opposition procedure instead; therefore, the case was transferred to Tainan City Government, and Tainan City Government submitted the decision to Environmental Protection Administration, Executive Yuan. The Administration revoked the case on March 9, 2010. The Company filed a second appeal, an administrative suit with the Kaohsiung High Administrative Court in April and May 2010. Then, Environmental Protection Administration, Executive Yuan revoked the appeal. In disagreement with the decision, the Company petitioned for the administrative remedy pursuant to laws, but the petition was revoked upon the judgement rendered by Kaohsiung High Administrative Court. The Company petitioned for administrative remedy with the Supreme Administrative Court thereafter. As a result, the Supreme Administrative Court rendered the judgement revoking the petition. Then, the Company petitioned for reexamination again, but the petition was revoked and the judgement became final and irrevocable.

5. Claim of remediation expenses against CPC

(1) Matter at issue:

The Company initiated a complaint alleging that CPC and Chu Tung-Ching should reduce the dioxide and mercury contained by Taiwan Alkali Co., Ltd., An Shun Plant until they were less than the existing soil pollution control standards, and jointly and severally pay the Company the expenses for lead-time operations incurred by the Company before the remediation.

- (2) Claimed value: NT\$193,522,633
 - (3) Date of initiation: December 2008
 - (4) Parties:
 - Plaintiff: CPDC
 - Defendant: CPC and Chu Tung-Ching
 - (5) Status: The case was overruled by the judgement rendered by Tainan District Court, Taiwan High Court, Tainan Branch, and Supreme Court. Then, the Company petitioned for reexamination with the Supreme Court, but the petition was overruled by the Court's judgement in September 2013. This judgement became final and the case was closed.
6. “Administrative disposition under Nan-Shih-Fu Huan-Shui-Tze No. 09822035440”
- (1) Fact at issue:

Tainan City Government ordered the Company, via its official letter under Nan-Shih-Fu Huan-Shui-Tze No. 09822035440 dated December 17, 2009, to pay the out-of-pocket expenses for the project related to An Shun Site soil pollution remediation to the account of Soil and Groundwater Pollution Remediation before January 31, 2010. The decision was served to the appellant in December 2009.
 - (2) Claimed value: NT\$17,961,679
 - (3) Date of initiation: January 2010
 - (4) Parties:
 - Plaintiff: CPDC
 - Defendant: Tainan City Government
 - (5) Status:

The Company paid said expenses within the specific time limit and filed an appeal. Notwithstanding, the appeal was

overruled upon judgement. The Company filed an administrative suit with Kaohsiung High Administrative Court. The Court ruled in September 2012 that the part of the judgement about the amount exceeding NT\$17,867,012 should be revoked, while the other claims filed by the Company were overruled. The Company filed an appeal against the judgement overruling the Company's claims pursuant to laws. In September 2013, the Supreme Administrative Court remanded the case for another judgement. Now, the case is pending trial by Kaohsiung High Administrative Court.

7. "Administrative disposition under Nan-Shih-Fu Huan-Shui-Tze No. 09703035430"

(1) Matter at issue:

Tainan City Government ordered the Company, via its official letter under Nan-Shih-Fu Huan-Shui-Tze No. 09922020870 dated August 15, 2008, to pay the fine before October 18, 2008. The decision was served to the Company in September 2008.

(2) Claimed value: NT\$1,000,000

(3) Date of initiation: October 2008

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

Kaohsiung High Administrative Court, the Supreme Administrative Court, for re-examination. Of which they rendered a judgement revoking the petition. The judgement became final and irrevocable in October 2011.

8. "Administrative disposition under Nan-Shih-Fu Huan-Shui-Tze No. 09922020870"

(1) Matter at issue:

Tainan City Government ordered the Company, via its official letter under Nan-Shih-Fu Huan-Shui-Tze No. 0922020870 dated July 12, 2010, to pay the fine before August 5, 2010. The decision was served to the Company in July 2010.

(2) Claimed value: NT\$200,000

(3) Date of initiation: September 2010

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

Kaohsiung High Administrative Court rendered the judgement in favor of the Company. Tainan City Government filed an appeal against the judgement. The Supreme Administrative Court revoked the 1st instance judgement, and remanded the case to Kaohsiung High Administrative Court for another judgement. The case was still overruled by Kaohsiung High Administrative Court and Supreme Administrative Court. The Company petitioned for re-examination pursuant to laws. Notwithstanding, the petition was overruled by the Supreme Administrative Court in May 2013 and the case was closed.

9. Shu Lin Pollution by Taiwan Alkali Co., Ltd.

(1) Fact at issue:

The land Nos. 540, 541 & 543, Tungshan Section, Shulin District, New Taipei City and the land No. 489, Wei Wang Section, Shulin District, New Taipei City owned by Taiwan Alkali Co., Ltd. were succeeded to by the Company upon the consolidation. Afterward, CPC purchased the land from the Company. New Taipei City Government published via its official letter under Pei-Huan-Shui-Tze No.

0990071085 dated August 16, 2010 that the land should be identified as the soil pollution control site and also soil pollution control zone. The Government also held that the pollution was caused by the Company, and the Company should submit the pollution control plan.

(2) Claimed value: None

(3) Date of initiation: August 2011

(4) Parties:

Plaintiff: CPDC

Defendant: New Taipei City Government

(5) Status:

(A) Person committing pollution of Shulin Plant: The original decision against the case was revoked by the judgement rendered by Taipei High Administrative Court. New Taipei City Government filed an appeal. The Supreme Administrative Court ruled that the 1st instance judgement should be revoked, and also remanded the case for another judgement. However, the case was overruled by Taipei High Administrative Court and the Supreme Administrative Court in November 2013. The Company initiated the petition for reexamination pursuant to laws, and is now pending examination by the Supreme Administrative Court.

(B) Shulin Plant's application for suspension of the execution: In order to declare the effect of the original decision, the Company petitioned for suspension of the execution pursuant to laws in March 2013. The petition was overruled by Taipei High Administrative Court in May 2013, and the following appeal against the Court's judgement was also overruled in August 2013.

10. Private prosecution of the criminal action against "Libel by

Business Today”

(1) Matter at issue:

Business Today Vol. No. 728 issued in December 2011 ran a false report about CPDC. The Company initiated a criminal action against it and petitioned for private prosecution with Taipei District Court.

(2) Claimed value: None

(3) Date of initiation: February 2012

(4) Parties:

Petitioner: CPDC

Defendant: Hsieh, et al.

(5) Status:

The Company petitioned for private prosecution pursuant to the law. Taipei District Court ruled that the defendant should be innocent. The Company filed an appeal pursuant to laws, but Taipei High Court rendered the judgement in disfavor of the Company in January 2013 and the case was closed.

11. Civil action (1) against Lian Hung Building

(1) Matter at issue:

The plaintiff, Ran, believed that the leaking of his house was caused by the tort of the defendant Su, Lian Hung Wufu Commercial Building Administration Committee and the Company, jointly and severally. Therefore, he filed a civil action with monetary claim against the defendant, et al..

(2) Value of subject matter: NT\$1,030,000

(3) Parties:

Plaintiff: Ran

Defendant: Su

Lian Hung Wu Fu Commercial Building Administration Committee

China Petrochemical Development Corporation

(4) Date of initiation: February 2012

(5) Status:

The case was under examination by Kaohsiung District Court. Notwithstanding, both parties reached settlement in July 2013 and the case was closed.

12. Criminal action against the insider trade in violation of Article 157-1 of Securities and Exchange Act

(1) Matter at issue:

One of the Company's shareholders was suspected of violating Article 157-1 of the Securities and Exchange Act for insider trade in Li Peng Enterprise's case and thereby caused damage to other shareholders. Therefore, the Company filed a complaint with Taipei District Prosecutors Office.

(2) Claimed value: None

(3) Date of initiation: February 29, 2012

(4) Parties:

Complainant: CPDC

Defendant: Lu, Liu, Ku and Li Peng Enterprise, et al.

(5) Status:

The case was examined by Taipei District Prosecutors Office. The Office eventually rendered the ruling not to prosecute upon conclusion of the investigation in March 2013.

13. Civil action against "Li Peng Enterprise's Case"

(1) Matter at issue:

Li Peng Enterprise ("Li Peng") has entered into a purchase agreement with the Company with respect to CPL, under which Li Peng may purchase CPL of a specified tonnage.

However, with the decline in CPL prices in November 2011, Li Peng asked the Company to supply the CPL at a quantity more than the tonnage agreed initially and at a fixed price. Upon the Company's consent, Li Peng failed to perform the agreement, but only purchased CPL at about 20% of the agreed quantity; therefore, the Company suffered financial damage. Later, the Company filed a civil action against it.

(2) Claimed value: NT\$211,823,865

(3) Date of initiation: March 2012

(4) Parties:

Plaintiff: CPDC

Defendant: Li Peng Enterprise

(5) Status:

Both parties worked with each other again in August 2012, and agreed to withdraw the action. The motion for withdrawal of the civil action against Li Peng Enterprise was ratified by the Company's Board of Directors. Li Peng Enterprise also withdrew its counterclaim against the Company and the case was closed.

14. Civil action (2) against Lian Hung Building

(1) Matter at issue:

The leaking at 14F of the Company's Lian Hung Building was caused by the leaking of a drain pipe in the bathroom of the suite at 15F of the Building as rented by Chang. Upon negotiation with Chang, Chang still ignored the Company's request, who is still unwilling to repair the leak. Therefore, the Company filed a civil action against Chang.

(2) Claimed value: None

(3) Date of initiation: April 2012

(4) Parties:

Plaintiff: CPDC

Defendant: Chang

(5) Status:

The Company filed a civil action pursuant to laws. The action was under examination by Kaohsiung District Court. Later, because the defendant has repaired the problem in the process of the action, the Company withdrew the action in session in January 2013, and the case was closed.

15. Criminal complaint against violation of Article 20 and Article 155 of Securities and Exchange Act

(1) Matter at issue:

The responsible person of Lea Lea Enterprise Co., Ltd., Kuo, disseminated false and negative information at such venues as overseas investor meetings and thereby impaired the Company's stock price, who was suspected of violating Article 20 and Article 155 of the Securities and Exchange Act. The Company filed a complaint with the competent authority, and the case was transferred to Taipei District Prosecutors Office.

(2) Claimed value: None

(3) Date of initiation: May 2012

(4) Parties:

Complainant: CPDC

Defendant: Kuo

(5) Status:

The case was under examination by Taipei District Prosecutors Office. The Office eventually rendered the ruling not to prosecute. Since both parties have reached settlement, no further appeal was filed by the Company, and the case was closed.

16. Preliminary injunction against the "right to be elected as independent directors"

(1) Fact at issue:

Lea Lea Enterprise Co., Ltd. (“Lea Lea”) initiated a civil action and also preliminary injunctions against the Company in May 2012, demanding that the Company should not prevent, prohibit or recuse the Plaintiff from exercising the shareholder's right, and said tort, if any, should be eliminated if it was likely to constitute infringement or constituted infringement consequently. Meanwhile, it also demanded that Lu and Ma should be included into the name list of candidates for independent directors at the Company's shareholders meeting, who should not be excluded with any excuse, and when electing independent directors, the general shareholders' meeting should not eliminate, debar, or exclude in any manner Lu's or Ma's right to be elected as independent directors.

(2) Claimed value: None

(3) Date of initiation: May 2012

(4) Parties:

Defendant: Lea Lea Enterprise Co., Ltd.

Defendant: CPDC

(5) Status:

Taipei District Court rendered its ruling in June 2012. After Lea Lea furnished the security bond, the Company should not exclude them from the name list of candidates for independent directors simply with the excuse that the documents for the nominated candidates for independent directors were defective. After Lea Lea furnished the security bond, Taipei District Court produced the execution order demanding that the Company should comply with the order. The Company filed an appeal against the ruling, and the case was transferred to the Taiwan High Court, Taipei Branch. In April 2012 Upon agreement reached by both parties, the Company withdrew the appeal, and Lea Lea also

withdrew the complaint.

17. Administrative suit against “FSC Demand Letter”

(1) Fact at issue: FSC rendered a decision in May 2012, demanding that the Company should correct the nomination of candidates for independent directors and examination procedure thereof at the general shareholders’ meeting 2012. For disagreement with the decision, the Company filed an appeal.

(2) Claimed value: None

(3) Date of initiation: May 2012

(4) Parties:

Appellant: CPDC

Counterpart: Financial Supervisory Commission, Executive Yuan (“FSC”)

(5) Status:

After examination by the Appeal Board, Executive Yuan, the petition was revoked by the Board in January 2013. The Company filed an appeal and it was revoked in March 2013. The case was closed.

18. Civil action against “Revocation of Resolution at Shareholders’ Meeting”

(1) Matter at issue:

Li Peng Enterprise Co., Ltd. (“Li Peng”) initiated a legal action against the Company in May 2012, demanding that the Company should not reject, omit or exclude the ballot and voting right of the representative from Li Peng at the shareholders’ meeting, and should not reject the teller and ballot examiner designated by Li Peng; further, the director and supervisor election result on June 27 should be revoked.

(2) Claimed value: None

(3) Date of initiation: May 2012

(4) Parties:

Plaintiff: Li Peng Enterprise

Defendant: CPDC

(5) Status:

Taipei District Court held on June 22 that at CPDC general shareholders' meeting on June 27, 2012, CPDC should not reject or omit, voluntarily or via a third party, the ballot or vote made by the Plaintiff with respect to the CPDC shares held by it, or eliminate or exclude the Plaintiff's vote or ballot without justified cause. The other claims made by the Plaintiff were overruled. Taipei District Court produced the execution order demanding that the Company should execute the judgement. Li Peng reported to the court on June 29 that the Company failed to comply with the order and petitioned for fining the Company. The Company subsequently stated its opinion, and in August 2012 the court ruled that Li Peng's petition should be revoked. The case was closed.

19. Preliminary injection

(1) Matter at issue:

Lea Lea Enterprise Co., Ltd. ("Lea Lea"), Li Mao Investment Company ("Li Mao"), Li Hao Investment Company ("LI Hao"), Li Hsing Investment Company ("Li Hsing") and the employees, users, agents, or third party designees thereof should be prohibited from engaging in the following activities during the general shareholders' meeting of China Petrochemical Development Corporation 2012: (1) Call a general shareholders' meeting of CPDC 2012 voluntarily;(2) Print the ballots voluntarily;(3) Privately produce the stamp exclusive for election at the general shareholders' meeting of CPDC 2012;(4) Call a general shareholders' meeting of CPDC 2012 voluntarily, or continue to call the general shareholders' meeting under the

same name and for the same year after the general shareholders' meeting of CPDC 2012, and engage in the election of directors/supervisors with ballots and name stamps exclusively used for election at the general shareholders' meeting of CPDC 2012, printed and produced voluntarily. (5) Have the director, who has received the most ballots, call a directors' meeting to elect the Chairman of Board voluntarily; (6) Privately apply for change of registration of directors/supervisors and specimen seal with the competent authority on the grounds of the name list of new directors/supervisors, according to the resolution made by said directors' meeting.

(2) Claimed value: None

(3) Date of initiation: June 2012

(4) Parties:

Complainant: CPDC

Defendant: Lea Lea, Li Mao, Li Hao and Li Hsing

(5) Status:

The case was overruled by Taipei District Court in June 2012. The Company filed an appeal, and the appeal was overruled by Taiwan High Court in August 2012. The case was closed.

20. Complaint against "Libel by Business Today"

(1) Matter at issue:

Business Today Vol. No. 811 issued in August 2012 ran a false report about a shareholders' meeting called by CPDC. The Company initiated a criminal action against it with Taipei District Prosecutors Office.

(2) Claimed value: None

(3) Date of initiation: July 2012

(4) Parties:

Complainant: CPDC

Defendant: Hsieh, et al.

(5) Status:

Taipei District Prosecutors Office rendered the ruling not to prosecute in September 2013. In disagreement with the ruling, the Company petitioned for reconsideration in September 2013. Later, the case was remanded by Taiwan High Prosecutors Office to Taipei District Prosecutors Office in October 2013. In August 2014 the Company received the ruling not to prosecute and petitioned for reconsideration. In September 2014 The final judgement was not to prosecute and the case was closed.

21. Civil action against “Maison De Chine” for perpetuation of evidence

(1) Matter at issue:

Lea Lea Group called a false shareholders’ meeting of CPDC at Maison De Chine on June 27. The Company petitioned for perpetuation of the evidence related to Maison De Chine with Miaoli District Court in July 2012.

(2) Claimed value: None

(3) Date of initiation: July 2012

(4) Parties:

Petitioner: CPDC

Counterpart: Li Peng, Lea Lea, and responsible person of Maison De Chine

(5) Status:

After examining the case, the court overruled it. In August 2012 Since both parties have reached settlement, no further appeal was filed by the Company. The case was closed.

22. Civil action against “Declaration of Invalid Resolution at Shareholders’ Meeting”

(1) Matter at issue:

Lea Lea initiated a legal action against the Company in July 2012, declaring that the motion for election of directors/supervisors at the general shareholders' meeting on June 27 should not be sustained or valid, and the resolution to the motion for election of directors/supervisors at the general shareholders' meeting should be revoked.

(2) Claimed value: None

(3) Date of initiation: July 2012

(4) Parties:

Plaintiff: Lea Lea Enterprise Co., Ltd.

Defendant: CPDC

(5) Status:

The case was examined by Taipei District Court. Then, both parties reached settlement in August 2012 and the action was withdrawn. The case was closed.

23. "Administrative dispositions under Nan-Shih-Fu Huan-Tu-Shu-Tsai No. 100120006, Nan-Shih-Fu Huan-Tu-Shu-Tsai Nos. 101010001 & 101010002"

(1) Fact at issue:

Tainan City Government ordered the Company, via its official letters under Nan-Shih-Fu Huan-Chi-Tze No. 1010051645 dated January 2012, Nan-Shih-Fu Huan-Chi-Tze No. 1010062440 dated January 2012, and Nan-Shih-Fu Huan-Chi-Tze No. 1010073107 dated January 2012, to pay the fine NT\$200,000 within a specific time limit for the Company's failure to complete the phased remediation within noted time limit. For disagreement with foresaid decision, the Company filed an administrative suit pursuant to laws.

(2) Claimed value: NT\$200,000 × 3

(3) Date of initiation: February 2012

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

Tainan City Government overruled the appeal. Then, the Company filed an administrative suit pursuant to laws. In February 2014, Kaohsiung High Administrative Court ruled that the official letter under Nan-Shih-Fu Huan-Tu-Shui-Tsai-Tze No. 101010001, the decision about the fine of NT\$200,000 made in the official letter under Nan-Shih-Fu Huan-Tu-Shui-Tsai-Tze No. 101010002, a 2-hour environmental protection seminar, and the decision against the appeal should be revoked. The both parties filed an appeal and the Supreme Administrative Court rendered the judgement revoking the application, and the case was closed. The revoked judgements, including fines that have been paid by the Company was refunded by the Tainan City Government.

24. “Administrative disposition under Nan-Shih-Fu Huan-Shui-Tze No. 1000700466”

(1) Matter at issue:

Tainan City Government ordered the the Company, via its official letter under Fu-Huan-Shui-Tze No. 1000700466 dated September 16, 2011, to pay the out-of-pocket expenses for An-Shun Site-related work projects to the Soil and Underground Water Pollution Remediation Fund account. After the Company stated its own opinion, Tainan City Government ordered the Company to make the payment within a specific time limit via its official letter under Nan-Shih-Fu-Huan-Shui-Tze No. 1010242670 dated March 26, 2012.

(2) Claimed value: NT\$16,095,318

(3) Date of initiation: April 2012

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The Company paid foresaid expenses within the specific time limit and filed an appeal. Notwithstanding, the appeal was overruled upon judgement. The Company filed the administrative remedy pursuant to the law. Kaohsiung High Administrative Court rendered a judgement and rescinded the petition decision and the original fine regarding the fine amount that exceeded NT\$119,000. Both parties filed an appeal in September 2014. Now, the case is under examination by the Supreme Administrative Court.

25. Refund of out-of-pocket expenses by Taiwan VCM Corporation (TVCM)

(1) Fact at issue:

The Company succeeded to Taiwan Alkali Co., Ltd., Chienchen Plant in Kaohsiung, and found the contamination of chloride in 2004. Kaohsiung City Government announced the Plant as the “Soil Pollution and Groundwater Pollution Control Site”. The Company worked hard to control, remedy, and take any other necessary actions to control and manage the site. In 2007, Kaohsiung City Government considered that the lessee, TVCM, should be the one held liable for the contamination and should be responsible for the remediation. Therefore, the Company filed an action claiming that the Company should pay the remediation-related expenses already advanced by the Company pursuant to the law.

(2) Claimed value: NT\$42,397,737

(3) Date of initiation: December 2012

(4) Parties:

Plaintiff: CPDC

Defendant: TVCM

(5) Status: The Company filed a suit for restitution pursuant to the law. Shihlin District Court rendered the judgement that TVCM should pay the Company NT\$14,885,000 and plus interest 5% per annum from July 3, 2012 to the date of liquidation, and the rest of the suit was revoked. TVCM bore 35% of court costs. Both parties reached a settlement and do not file any additional appeals, the case is closed.

26. Petition for removal of buildings and refund of land by Taiwan Alkali Co., Ltd. to village residents

(1) Fact at issue:

The Company consolidated Taiwan Alkali Co., Ltd. in 1983 and generally succeeded to its right and obligation. In 1986, the Company entered into an agreement with all of Taiwan Alkali Village residents to make the land Nos. 1323-259 and 1323-261 available to them to accommodate the utilities, such as public roads and water towers, continuously used by them. Upon investigation on occupation of the public utilities, some residents were found violating the agreement by constructing private buildings thereon, changing the purpose of the utility arbitrarily and misappropriating the land used for the utilities. The Company planned to recall said land and asked them to refund unjust enrichment to secure the Company's assets and all shareholders' interests and rights.

(2) Claimed value: NT\$5,506,370

(3) Date of initiation: February 2013

(4) Parties:

Plaintiff: CPDC

Defendant: Taiwan Alkali Co., Ltd. Village Management Committee, et al.

- (5) Status: The Company filed a suit pursuant to the law and petitioned for removal of buildings and the return of the land. Kaohsiung District Court rendered a judgement revoking the petition. In September 2014 the Company filed an appeal pursuant to laws, and now is under the examination by Kaohsiung High Court.

27. “Administrative disposition under Nan-Shih-Fu Huan-Shui-Tze No. 1010382678”

- (1) Fact at issue:

Tainan City Government issued a letter under Nan-Shih-Fu Huan-Shui-Tze No. 1010382678 on May 24, 2012, ordering the Company to complete the management plan concerning the buffer area around An Shun Site and the related fence structures before June 8, 2012 in order to prevent the pollution from expanding. The Company filed an appeal pursuant to the law.

- (2) Claimed value: None
- (3) Date of initiation: June 2012
- (4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

- (5) Status:

In disagreement with the decision, the Company initiated an appeals petition in accordance to the laws. The petition was revoked, and the Company filed an administrative suit pursuant to laws. In April 2014 Kaohsiung High Administrative Court rendered a judgement revoking the suit, and the Company filed an appeal pursuant to laws. The case is now pending trial by the Supreme Administrative Court.

28. Civil action against high-rank management

(1) Matter at issue:

The Company's high-ranking managers, Liu and Chang, resigned directly without completing the handover procedures. They have stopped performing duties as of July 1, 2013. The Company issued a letter demanding that they should perform duties, but they refused to do so. The Board of Directors relieved them from the post in October 2013. The Company filed a suit against Liu pursuant to laws because he severely violated the work rules of the Company. Later, Liu and Chang claimed the pension against the Company pursuant to Labor Standard Law. Both parties failed to reach settlement upon negotiation. Liu and Chang initiated a civil action for payment of pension with Taipei District Court and Kaohsiung District Court in January 2014.

(2) Claimed value: NT\$8,044,460 and NT\$6,110,000

(3) Date of initiation: January 2014

(4) Parties:

Plaintiff: Liu and Chang

Defendant: CPDC

(5) Status:

The Plaintiffs initiated the actions, which are under examination by Taipei District Court and Kaohsiung District Court respectively.

29. Employee Wang's overtime pay against Labor Standard Law

(1) Matter at issue:

The entity rendering the original decision, Labor Affairs Bureau of Kaohsiung City, performed the labor inspection on Hsiaokang Plant and issued the written decision under Kao-Shi-Lao-Tiao-Tze No. 10233232500 holding that

Employee Wang's overtime pay did not include the meal allowance and the Company should be fined NT\$20,000. For disagreement with the administrative disposition, the Company filed an appeal.

(2) Claimed value: None

(3) Date of initiation: June 2013

(4) Parties:

Plaintiff: CPDC

Defendant: Kaohsiung City Government

(5) Status:

The Company initiated the petition pursuant to the law in June 2013, and the petition was revoked. The Company filed an administrative suit in February 2014, and Kaohsiung District Court rendered a judgement revoking the suit. The Company filed an appeal pursuant to laws, and the case is now pending trial by Kaohsiung High Court.

30. Identification of party held liable for the pollution (the judgement rendered by Supreme Administrative Court under 96-Peng-Tze No. 1953)

(1) Fact at issue:

In May 2004, Tainan City Government claimed against the Company the expenses for sampling of dioxide in fish at the sea water reservoir of An Shun Plant and the sea gate of Lu Er Men River and the sampling plan. Meanwhile, it doubled the fine imposed on the Company in August 2004.

(2) Claimed value: NT\$2,608,881

(3) Date of initiation: December 2004

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The Company filed a legal action with Tainan District Court in December 2004. Notwithstanding, the action was overruled in the 1st and 2nd instances and upon re-examination. The Company petitioned for the Grand Jury's interpretation of the Constitution. The Grand Jury issued its written interpretation No. 714 in November 2013, holding that the requirement about retroactivity referred to in the Remediation Act did not breach the Constitution; however, whether the general successor to the party held liable for the pollution should be liable for the remediation pursuant to the Remediation Act was beyond the scope of the Act.

31. National compensation

(1) Matter at issue:

The Company was ordered to consolidate Taiwan Alkali Co., Ltd. by Ministry of Economic Affairs. However, Tainan City Government, et al. alleged that the Company should be liable for the remediation of the land pollution, because the Company should succeed to the rights and obligations of Taiwan Alkali Co., Ltd. generally pursuant to Article 75 of the Company Law.

(2) Claimed value: NT\$10,076,534

(3) Date of initiation: January 2006

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The Company filed a civil action in January 2006. The action was overruled in the 1st, 2nd and 3rd instances and upon reexamination. The Company applied for interpretation of the Constitution. The Grand Jury's written

interpretation No. 714 was issued in November 2013, holding that the requirement about retroactivity referred to in the Remediation Act did not breach the Constitution; however, whether the general successor to the party held liable for the pollution should be liable for the remediation pursuant to the Remediation Act was beyond the scope of the Act.

32. “Administrative disposition under Fu-Huan-Shui-Tze No. 1020383681B”

(1) Fact at issue:

Tainan City Government ordered the Company, via its official letter under Nan-Shih-Fu Huan-Shui-Tze No. 1020383681B dated May 2013, to pay the out-of-pocket expenses for the project related to An Shun Site soil pollution remediation, NT\$26,530,000, within a specific time limit.

(2) Claimed value: NT\$26,530,000

(3) Date of initiation: July 2013

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The Company paid said expenses within the specific time limit and filed an appeal. Notwithstanding, the appeal was overruled upon judgement. The Company filed the administrative remedy pursuant to laws. Now, the case is under examination by Kaohsiung High Administrative Court.

33. “Administrative disposition under Fu-Huan-Shui-Tze No. 1030098879”

(1) Fact at issue:

Tainan City Government ordered the Company, via its official letter under Nan-Shih-Fu Huan-Shui-Tze No. 1030098879 dated February 2014, to pay the out-of-pocket expenses for the project related to An Shun Site soil pollution remediation, NT\$27,440,000, within a specific time limit.

(2) Claimed value: NT\$27,440,000

(3) Date of initiation: March 2014

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The Company paid said expenses within the specific time limit and filed an appeal. Notwithstanding, the appeal was overruled upon judgement in July 2014. The Company filed the administrative remedy pursuant to laws. Now, the case is under examination by Kaohsiung High Administrative Court.

34. “Administrative disposition under Nan-Shih-Fu-Huan-Chi-Tze No. 1030133470”

(1) Fact at issue:

Tainan City Government ordered the Company, via its official letter under Nan-Shih-Fu-Huan-Chi-Tze No. 1030133470 dated February 2014, to pay the fine NT\$200,000 within a specific time limit because of violation of Soil and Groundwater Pollution Remediation Act, which the Company failed to execute following the “Remediation Plans of Soil Pollution and Site Pollution” and reach the remediation goals in December 2013. For disagreement with the administrative disposition above, the Company initiated the administrative remedy pursuant to laws.

(2) Claimed value: NT\$200,000

(3) Date of initiation: March 2014

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The Company initiated the petition pursuant to laws in March 2014, and in June within the same year the Environmental Protection Administration, Executive Yuan rendered a judgement revoking the petition. The Company filed an administrative suit in August 2014, and now the case is under examination by summary court of the Tainan District Court.

35. “Administrative disposition under Nan-Shih-Fu-Huan-Tu-Tze No. 1030439518”

(1) Fact at issue:

Tainan City Government ordered the Company, via its official letter under Nan-Shih-Fu-Huan-Tu-Tze No. 1030439518 dated June 2014, to pay the fine NT\$1,000,000 within a specific time limit because of violation of Soil and Groundwater Pollution Remediation Act, which the Company failed to execute following “Remediation Plans of Soil Pollution and Site Pollution”. For disagreement with the administrative disposition above, the Company initiated the administrative remedy pursuant to laws.

(2) Claimed value: NT\$1,000,000

(3) Date of initiation: July 2014

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The Company initiated the petition pursuant to laws in July 2014, and in November within the same year the Environmental Protection Administration, Executive Yuan rendered a judgement revoking the petition. The Company filed an administrative suit in January 2015, and now the case is under examination by Kaohsiung High Administrative Court.

36. “Administrative disposition under Nan-Shih-Fu-Huan-Chi-Tze No. 1030815405”

(1) Fact at issue:

Tainan City Government ordered the Company, via its official letter under Nan-Shih-Fu-Huan-Chi-Tze No. 1030815405 dated August 2014, to pay the fine NT\$600,000 within a specific time limit because of violation of Soil and Groundwater Pollution Remediation Act, which the Company failed to execute following the “Remediation Plans of Soil Pollution and Site Pollution”. For disagreement with the administrative disposition above, the Company initiated the administrative remedy pursuant to laws.

(2) Claimed value: NT\$600,000

(3) Date of initiation: September 2014

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The Company initiated the petition pursuant to laws in September 2014, and in December within the same year the Environmental Protection Administration, Executive Yuan rendered a judgement revoking the petition. The Company filed an administrative suit in February 2015, and now the

case is under examination by Kaohsiung High Administrative Court.

37. “Administrative disposition under Nan-Shih-Fu-Huan-Tu-Tze No. 1030485131”

(1) Fact at issue:

Tainan City Government ordered the Company, via its official letter under Nan-Shih-Fu-Huan-Tu-Tze No. 1030485131 dated October 2014, to pay the fine NT\$1,000,000 within a specific time limit because of violation of the Soil and Groundwater Pollution Remediation Act, which the Company failed to execute following the “Remediation Plans of Soil Pollution and Site Pollution”. For disagreement with the administrative disposition above, the Company initiated the administrative remedy pursuant to laws.

(2) Claimed value: NT\$1,000,000

(3) Date of initiation: November 2014

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The Company initiated the petition pursuant to laws in November 2014, and Environmental Protection Administration, Executive Yuan rendered the judgement rescinding the original decision in April 2015.

38. “Administrative disposition under Nan-Shih-Fu-Huan-Chi-Tze No. 1040225873”

(1) Fact at issue:

Tainan City Government ordered the Company, via its official letter under Nan-Shih-Fu-Huan-Chi-Tze No. 1040225873 dated March 2015, to pay the fine

NT\$1,000,000 within a specific time limit because of violation of the Soil and Groundwater Pollution Remediation Act, which the Company failed to execute following the “Remediation Plans of Soil Pollution and Site Pollution”. For disagreement with the administrative disposition above, the Company initiated the administrative remedy pursuant to laws.

(2) Claimed value: NT\$1,000,000

(3) Date of initiation: November 2014

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

The Company initiated the petition pursuant to laws in April 2015, and now the case is under examination by Environmental Protection Administration, Executive Yuan.

39. Administrative disposition under Kao-Shih-Fu-Shui-Shih-Yi-Tze No. 10335137100 (Turn off the pipelines with enforcement because of Kaohsiung gas explosion)

(1) Fact at issue:

Kaohsiung City had a underground pipeline explosion in July 2014. Kaohsiung City Government ordered the Company, via its official letter under Kao-Shih-Fu-Huan-Chi-Tze No. 10335137100 dated August 2014, to turn off the pipeline, and prohibited the Company from restoring to use all the petrochemical pipelines in affected areas. For disagreement with the administrative disposition above, the Company initiated the administrative remedy pursuant to laws.

(2) Claimed value: No

(3) Date of initiation: September 2014

(4) Parties:

Plaintiff: CPDC

Defendant: Kaohsiung City Government

(5) Status:

The Company initiated the petition pursuant to laws in September 2014, and now the case is under examination by Kaohsiung City Government.

40. Administrative disposition under Kao-Shih-Kung-Wu-Kung-Tze No. 1033652500 and No. 1033766200 (Repeal of permission to mine and use the road for underground pipelines in Kaohsiung)

(1) Fact at issue:

Due to the Kaohsiung gas explosion on August 1st, Public Works Bureau of Kaohsiung City Government, via its official letter to CPC Corp., the person subject to the disposition, under Kao-Shih-Kung-Wu-Kung-Tze No. 1033652500 dated August 19th, 2014 and Kao-Shih-Kung-Wu-Kung-Tze No. 1033766200 dated October 3rd within the same year, repealed the Company's right to use the land of all the pipelines, which the Company was permitted to mine and use the road for pipelines under (79)Kao-Shih-Kung-Yang-Chu-Kuan-Hsien-Cheng-Tze No. 950129 and (80) Kao-Shih-Kung-Yang-Chu-Kuan-Hsien-Cheng-Tze No. 050076. Some pipelines mentioned in the repeal disposition belonged to the Company, and the Company commissioned CPC Corp. to build the pipelines at first, thus the Company, as the stakeholder, initiated a remedy with Public Works Bureau of Kaohsiung City Government pursuant to laws in September and November 2014.

(2) Claimed value: No

(3) Date of initiation: September 2014

(4) Parties:

Plaintiff: CPDC

Defendant: Public Works Bureau of Kaohsiung City
Government

(5) Status:

The Company initiated a petition pursuant to laws in September and November 2014, and the Petition Committee of Kaohsiung City Government revoked the petition. In April 2015 the Company filed an administrative suit against two administrative disposition.

41. An Shun application

(1) Fact at issue:

Summary of J. Y. Interpretation No. 714 indicates that whether polluters' general successors bear the remedial obligation does not belong the range of Soil and Groundwater Pollution Remediation Act. Meanwhile, ex-Taiwan Alkali Corp. was a state-owned enterprise and its affiliated An Shun Factory was commanded and supervised under the Ministry of Economic Affairs, Taiwan Provincial Government, and CPC Corp., etc., and they also dominated operations and obtained profits from it. These foresaid actions should belong to the acts of state, but the government asked a private company to bear the pollution which it had caused. Thus, the Company applied for the confirmation from Tainan City Government that those were actual polluters or potentially responsible for pollution and they should pay for the relevant costs and refund the money the Company had already paid over the years.

(2) Claimed value: No

(3) Date of initiation: December 2014

(4) Parties:

Plaintiff: CPDC

Defendant: Tainan City Government

(5) Status:

In November 2014 Tainan City Government made a rejection, and the Company initiated an petition for remedy. In March 2015 Tainan City Government revoked the preceding disposition and made a new one. Considering the litigation strategy, the Company initiated a petition with the new disposition in April 2015. Environmental Protection Administration of Executive Yuan made a decision not to proceed with the case, because the original disposition had been revoked.

42. Lawsuit of Business negligent injury from Heng-I Inc.

(1) Fact at issue: Gas explosion has been occurred from Heng-I Chemical factory next to the Tou-Fen factory. This developed into a business negligent injury lawsuit because of combustion from several workers and as the accident happened in the public drainage location of industrial areas, excessive material has been analyzed by samples which belongs to CPDC. Plaintiff request to make CPDC managers as a defendant and its pending trial by Taiwan Miaoli District Court. In February 2015, injured workers from Heng-I Chemical Inc. applied for joint liability to pay compensation of NT\$6,920,000.

(2) Claimed value: NT\$6,920,000

(3) Date of initiation: February 2015

(4) Parties:

Plaintiff: Injured workers from Heng-I Chemical Inc.

Defendant: CPDC and its manager

(5) Status:

Pending trial by Taiwan Miaoli District Court

43. An Shun Dormitory assigned as an archaeology

(1) Tainan City Government, via its official letter under

Jih-Fu-Wen-Tzu-Chu-Tze No. 1031053448A dated November 17th, 2014, designated the Company's "Original Kagakude Negai O Ka Corporation's Dormitories in Tainan Factory" as a municipal archaeology. For disagreement with the preceding administrative disposition, with two units occupied and destroyed dormitories has been found, the Company filed a suit for remedy pursuant to laws.

- (2) Claimed value: N/A
- (3) Date of initiation: December 2014
- (4) Parties:
Plaintiff: CPDC
Defendant: Tainan City Government
- (5) Status: Company has filed a suit for remedy and the case is now pending trial by Culture Affairs Bureau.

44. Civil action against company managers

- (1) Fact at issue:
The Company's manager, Wang, violated the company's regulation during working period. The Company quitted Wang after it has been discovered and filed a suit against Wang pursuant to laws. However, Wang claimed that the company made him redundant illegally and requested for severance pay of NT\$188,733.
- (2) Claimed value: NT\$188,733
- (3) Date of initiation: March 2015
- (4) Parties:
Plaintiff: Wang
Defendant: CPDC
- (5) Status:
Pending trial by Taipei District Court

45. Application of joint Occupational Accident from an employee of

Chung-Yen Engineering Co., Ltd.

- (1) Fact at issue: An employee of Chung-Yen Engineering Co., Ltd., Wang, fell during construction of the rust-proof operation of ceiling's pipes, resulting in contusion and fracture in his body. In February 2015, the plaintiff requested to add CPDC to the list of defendants, in addition to the original defendant, Chung-Yen Engineering Co. Ltd.
- (2) Claimed value: NT\$3,151,594
- (3) Date of initiation: April 2015
- (4) Parties:
Plaintiff: Wang
Defendant: Chung-Yen Engineering Co., Ltd. & CPDC
- (5) Status:
Pending trial by the civil division of Kaohsiung District Court

§ For the Company's directors, supervisors, and major shareholders:

1. Private prosecution of the criminal action against "Libel by Business Today"
 - (1) Matter at issue:
Business Today Vol. No. 728 issued in December 2011 ran a false report about Chairman Ching-Jing Sheen. Ching-Jing Sheen initiated a criminal action against the publisher and petitioned for private prosecution with Taipei District Court.
 - (2) Claimed value: None
 - (3) Date of initiation: February 2012
 - (4) Parties:
Petitioner: Chairman Ching-Jing Sheen
Defendant: Hsieh, et al.

(5) Status:

The judgement rendered by Taipei District Court held that the defendant should be innocent. The Company filed an appeal against the judgement pursuant to laws. The appeal was overruled by Taipei High Administrative Court and the judgement became final and irrevocable. The case was closed.

2. Private prosecution of the criminal action against offense against reputation

(1) Fact at issue:

Kuo and Lin disseminated statement attacking Chairman Ching-Jing Sheen in public and thereby injured the reputation of Chairman Ching-Jing Sheen. Chairman Ching-Jing Sheen petitioned for the private prosecution with Taipei District Court.

(2) Claimed value: None

(3) Date of initiation: April 6, 2012

(4) Parties:

Petitioner: Chairman Ching-Jing Sheen

Defendant: Kuo and Lin

(5) Status:

Both parties worked with each other again in August 2012, and agreed to withdraw the action. The case was closed.

3. Criminal action against Article 171 of Securities and Exchange Act for offense against breach of trust

(1) Fact at issue:

Li Peng Enterprise ("Li Peng") has entered into a purchase agreement with the Company with respect to CPL, under which Li Peng may pick up the CPL at specific MT. However, with the excuse that the CPL price was declining in November 2011, Li Peng asked the Company to supply

the CPL at a quantity more than the MT as agreed initially and at fixed price. Upon the Company's consent, Li Peng failed to perform the agreement, but only picked up the CPL at about 20% of the agreed quantity; therefore, the Company suffered financial damage. Later, the Company filed a civil action against it and terminated said agreement on February 15, 2012. Li Peng filed a complaint with Taipei District Prosecutors Office, alleging that the Company's management violated Article 171 of the Securities and Exchange Act for an offense against breach of trust.

(2) Claimed value: None

(3) Date of initiation: May 2012

(4) Parties:

Defendant: Li Peng Enterprise Co., Ltd.

Defendant: Chairman Ching-Jing Sheen, and former President, Wang Ke-Shun

(5) Status:

Upon investigation, Taipei District Prosecutors Office found that no offense was committed by the Company's management. Therefore, it rendered the ruling not to prosecute on April 12, 2013. Then, the prosecutor reconsidered the case ex officio, while the High Prosecutors Office still held that the original ruling should be sustained.

4. Criminal action against offense against reputation

(1) Matter at issue:

Li Peng's refusal to pick up the goods caused material damage to the Company and resulted in declination of the Company's stock price. The Company ran an advertisement entitled "You Cannot Have Your Cake and Eat It Too" in the name of the Company in Economic Daily News to explain said situation to the Company's shareholder on May 22, 2012. As a result, Li Peng initiated a criminal action against

the Company by alleging said offense.

(2) Claimed value: None

(3) Date of initiation: July 16, 2012

(4) Parties:

Defendant: Li Peng Enterprise Co., Ltd.

Defendant: Chairman Ching-Jing Sheen

(5) Status:

Both parties worked with each other again in August 2012, and agreed to withdraw the action. The case was closed.

5. Criminal action against coercion offense, offense against executive effect, breach of trust under Securities and Exchange Act, and forgery of instrument

(1) Fact at issue:

The shareholders including Lea Lea Group disagreed with the agenda and resolution made at the shareholders' meeting on June 27, 2012 and, therefore, filed the criminal action with Miaoli District Prosecutors Office against the Chairman Ching-Jing Sheen and acting chairperson of the shareholders' meeting, Pa Hsu-Ping, accusing them of committing a coercion offense, offense against executive effect, forgery of instrument, and breach of trust referred to in Securities and Exchange Act.

(2) Claimed value: None

(3) Date of initiation: June 2012

(4) Parties:

Complainant: CPDC shareholders

Defendant: Chairman Ching-Jing Sheen, and Director Pai Hsu-Ping

(5) Status:

Upon investigation, Miaoli District Prosecutors Office

found that no offense was committed. Therefore, it rendered the ruling not to prosecute on August 20, 2013. Then, the prosecutor reconsidered the case ex officio, while the High Prosecutors Office still held that the ruling not to prosecute should be sustained. The case was closed.

6. Action against reputation

(1) Fact at issue:

According to political talk show on Sanlih news TV broadcasted in August 6, 2014, one of the guests, Mr. Chang, became involved in a criminal action of spreading false statements.

(2) Claimed value: None.

(3) Date of initiation: August, 2014

(4) Parties:

Plaintiff: Chairman Ching-Jing Sheen

Defendant: General Manager of Sanlih news TV, Mr. Chang

(5) Status:

The case is now pending trial by Taipei District Prosecutors Office.

§ Against affiliates

1. Joint Ventures – EXA Energy Ltd.

Civil action against payment of rent

(1) Fact at issue:

The Company's investee, EXA Energy Ltd., and Performax Technology Group entered into a tenancy agreement in June 2011 and the agreement was also notarized. However, due to the change in operating policy, the Company did not need the factory premises any longer. Therefore, the agreement

was terminated in July 2011. Performax Technology Group initiated a civil action against EVA Energy Ltd.

(2) Claimed value: NT\$10,567,879

(3) Date of initiation:

(4) Parties:

Plaintiff: Performax Technology Group

Defendant: EXA Energy Ltd.

(5) Status:

A civil action was initiated with Taichung District Court.

However, both parties reached settlement in April 2012.

2. Claim of EXA Energy Ltd. against Merry Electronics Co., Ltd. for payment of goods

(1) Matter at issue:

The failure of Merry Electronics Co., Ltd. to place the formal purchase order resulted in the interruption of production by EXA Energy Ltd. and thereby caused a loss to EXA Energy Ltd. Therefore, EXA Energy Ltd. filed a civil action against Merry Electronics Co., Ltd. with a monetary claim.

(2) Claimed value: NT\$820,000

(3) Date of initiation: February 29, 2012

(4) Parties:

Plaintiff: EXA Energy Ltd.

Plaintiff: Merry Electronics Co., Ltd.

(5) Status: Both parties have reached settlement in March 2012.

3. Reinvestment entity – Legal action against declaration of the capacity of Chairman of Praxair Chemax Semiconductor Materials Co., Ltd.

(1) Fact at issue:

The director of Praxair Chemax Semiconductor Materials Co., Ltd. (hereinafter referred to as “PRAXAIR”) delegated by the Company, was elected as the new Chairman at the directors’ meeting of PRAXAIR 2013. However, the Vice Chairman and supervisor appointed by the joint venture shareholder, PARAXAIR INC., failed to keep their promise and stopped the supervisor of PRAXAIR appointed by the Company from auditing the accounts and records pursuant to the Company Law, and filed a legal action declaring non-existence of the new Chairman’s commission of authority.

(2) Claimed value: None

(3) Date of initiation: May 2013

(4) Parties:

a. action of non-existence of the new Chairman’s commission of authority:

Plaintiff: Supervisor Taimur Sharih of PARAXAIR, and Vice Chairman Anne Roby of PARAXAIR

Defendant: New Chairman of PARAXAIR, Lin Ke-Ming

b. action of claims for collection of books:

Plaintiff: Supervisor of PARAXAIR, Yu Chien-Sung

Defendant: General Manager of PARAXAIR, Chen Chun-Liang

c. action of claims for collection of Seal / Signature:

Plaintiff: Chairman of PARAXAIR, Lin Ke-Ming

Defendant: General Manager of PARAXAIR, Chen Chun-Liang, et al.

(5) Status:

Taiwan High Court ruled that the action of existence Chairman’s commission of authority did exist. For disagreement with the judgement, the Defendant filed an

appeal with Taiwan Supreme Court which is now pending trial. Taiwan High Court ruled that the Supervisor of PARAXAIR, Yu Chien-Sung, won the case of action of claims for collection of books. For disagreement with the judgement, the Defendant filed an appeal with Taiwan Supreme Court which is now pending trial. Taiwan Hsinchu District Court stopped the trial on the case of action of claims for collection of Seal / Signature until the Chairman's commission of authority is determined. Notwithstanding, in order to secure all shareholders' interest and right, the Company is still working hard to settle the dispute peacefully.

4. Reinvestment – PARAXAIR shareholders' meeting

(1) Fact at issue:

The supervisor, Taimur Sharih, appointed by the joint venture shareholder of PARAXAIR invested by the Company, PARAXAIR INC., privately called a temporary shareholders' meeting on August 30, 2013 and submitted the temporary motion at the meeting.

(2) Claimed value: None

(3) Date of initiation: September 2013

(4) Parties:

Plaintiff: CPDC

Defendant: Chairman of PARAXAIR, Lin Ke-Ming, and Supervisor Taimur Sharih

Participant in the action: Vice Chairman of PARAXAIR, Anne Roby

(5) Status:

The case is under examination by Miaoli District Court. Notwithstanding, in order to secure all shareholders' interests and rights, the Company is still working hard to settle the dispute peacefully.

5. Reinvestment – PARAXAIR shareholders’ meeting

(1) Fact at issue:

The supervisor, Taimur Sharih, appointed by the joint venture shareholder of PARAXAIR invested by the Company, PARAXAIR INC., privately called a temporary shareholders’ meeting on January 15, 2015 and submitted the temporary motion at the meeting.

(2) Claimed value: None

(3) Date of initiation: February 2015

(4) Parties:

Plaintiff: CPDC

Defendant: Chairman of PARAXAIR, Lin Ke-Ming, and Supervisor Taimur Sharih

(5) Status:

The case is under examination by Miaoli District Court. Notwithstanding, in order to secure all shareholders’ interests and rights, the Company is still working hard to settle the dispute peacefully.

6. Reinvestment – Contract disputation with Shanghai Tongye Coal Chemical Group Co. Ltd

(1) Fact at issue:

Shanghai Tongye Coal Chemical Group Co. Ltd purchased anthracene oils from Weihua (Rudong) Trading Co., Ltd and Weiqiang International Trading (Shanghai) Co., Ltd. However, the payment of the contract was paid with only 10% of total amount which is equal to deposit premium in May, 2014. In June, 2014, both sides of the companies signed complement action agreement to extend payment terms. However, Shanghai Tongye Coal Chemical Group Co. Ltd still not paid the remainder payment on the due date. Weihua and Weiqiang filed an suit for remedy pursuant to

laws.

(2) Claimed value: RMB\$ 3.5 million

(3) Date of initiation: August 2014

(4) Parties:

Plaintiff: Weihua (Rudong) Trading Co., Ltd. & Weiqiang International Trading (Shanghai) Co., Ltd.

Defendant: Shanghai Tongye Coal Chemical Group Co. Ltd

(5) Status:

Subsidiaries of CPDC, Weihua and Weiqiang, filed a civil suit with Yangpu District Court against Shanghai Tongye Coal Chemical Group Co. Ltd for the remainder payment of contract on August 6, 2014. The mediation of both sides was sustained by the Court. However, the Shanghai Tongye Coal Chemical Group Co. Ltd failed to comply with the first-phase payment by the mediation agreement. On September 2, 2014, Weihua and Weiqiang applied for compulsory execution and seized the Coal Tar from Shanghai Tongye Coal Chemical Group Co. Ltd with Yangpu District Court until the Court lifts the seizure for auction to repay the debt. After that, Weihua and Weiqiang continually negotiate and request for specific repayment plan with Shanghai Tongye Coal Chemical Group Co. Ltd. Authorities concerned is proceeding criminal investigation of relevant people which engage in contract fraud from Shanghai Tongye Coal Chemical Group Co. Ltd.

(XIII) Other major risks and countermeasures: N/A

VII. Other important notes

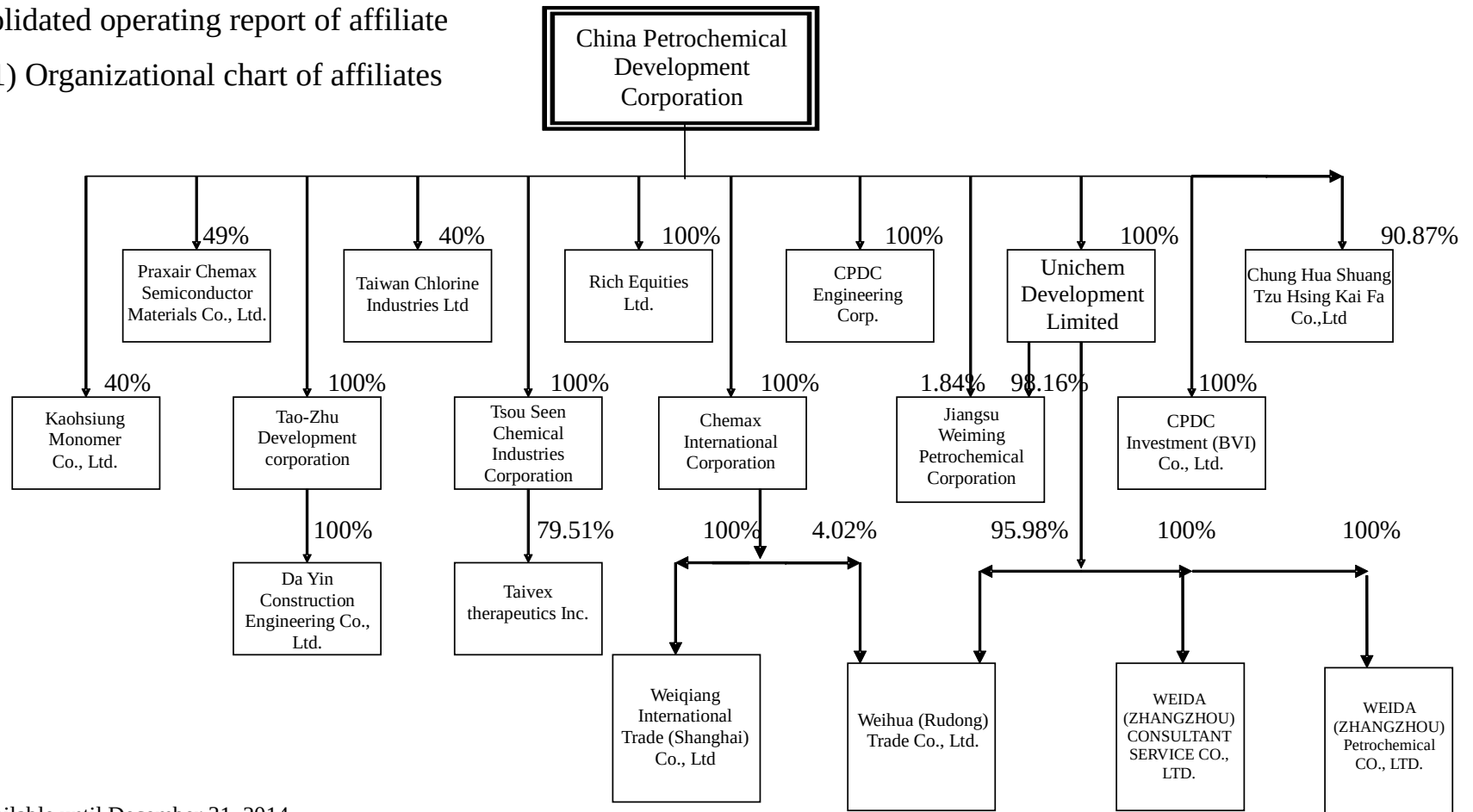
N/A

Eight、Special Note

I. Information about Affiliates

1. Consolidated operating report of affiliate

(1) Organizational chart of affiliates



Note: 1. Data available until December 31, 2014

2. Substantially identified companies constitutes controlling and affiliates relationships as defined in Article 369-2 of the Company Law.

(2) Profiles of affiliates

Unit : NTD Thousand
Foreign exchange rate : USD1:NTD 31.718
HKD1:NTD 4.0897
RMB1:NTD 5.1125

Name	Date of Incorporation	Address	Paid-in Capital	Principle Business
Tao-Zhu Development corporation	1995.10.11	8F, No. 12 Tunghsing Road, Songshan District, Taipei City	NTD 100,000	Research and analysis on land utilization, and planning and consultation services, and lease and sale of factory premises and commercial buildings, et al.
Chemax International Corporation	1995.09.01	8F, No. 12 Tunghsing Road, Songshan District, Taipei City	NTD 160,000	Trading, import and export of petrochemical products, and trading and distribution of chemical engineering, electric machinery and machine & equipment
Weiqiang International Trade (Shanghai) Co., Ltd.	2013.03.21	Suite 401, No., 718, Kuan Ming Road, Pudong New District, Shanghai City	USD 4,000 (Note 3)	Wholesale of chemical raw materials and products (exclusive of hazardous goods), commissioned distribution (exclusive of auction), and import & export and related alternatives
Weihua (Rudong) Trade Co., Ltd.	2012.12.10	No. 9, Kang Cheng Village, Changsha Township, Rudong Township, Chiangsu Province	RMB 156,289 (Note 3)	Wholesale of chemical raw materials and products (exclusive of hazardous goods and toxic chemical products), export & import, and import & export of technology, and commissioned distribution
Rich Equities Ltd.	2007.03.21	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 180 (Note 3)	Reinvestment
CPDC Investment (BVI) Co., Ltd.	1998.01.09	Citco Building , Wickhams Cay,P.O Box 662	USD 26,580 (Note3)	Reinvestment
Tsou Seen Chemical Industries Corporation	1998.06.16	No. 1, Chin Ching Road, Tunghai Village, Fanliao Hsiang, Pintung County	NTD 750,000	Manufacturing of phosphoric acid-related chemical products and derivatives, and Storage, transportation, procurement and marketing of fertilizer
Taivex therapeutics Inc.	2010.02.11	8F, No. 12 Tunghsing Road, Songshan District, Taipei City	NTD 307,500	R&D of bio-tech medicines

Name	Date of Incorporation	Address	Paid-in Capital	Principle Business
CPDC Engineering Corp.	1999.05.31	No. 16, 14F, 61, Wufu 3rd Road, Chienching District, Kaohsiung City	NTD 150,000	Machinery engineering
Da Yin Construction Engineering Co., Ltd.	1972.11.24	No. 5, 10F, 51, Fuxing Road, Taoyuan City	NTD 22,500	Civil engineering contractor
Kaohsiung Monomer Co., Ltd.	1976.06.10	No. 1 Xinkung Road, Da-Sheh District, Kaohsiung City	NTD 500,000	Production and sale of methyl methacrylate (MMA)
Taiwan Chlorine Industries Ltd.	1986.12.22	No. 25 Chungchi Street, Hsiaokang District, Kaohsiung City	NTD 160,000	Production and sale of liquid ammonia, liquid caustic soda, hydrochloric acid, hydrogen and sodium hypochlorite
Praxair Chemax Semiconductor Materials Co., Ltd.	1999.02.11	No. 217-1 Sec.2 Tzyh-Chyang Road, Tou-Fen, Miaoli County,	NTD 192,975	Wholesale, retail and international trading of high pressure gas
Unichem Development Limited	2008.05.20	Suite 511, 5/F, Silvercord Tower 1, 30 Cantan Road, Tsim Sha Tsui, Kowloon	USD 78,133 (Note 4)	Reinvestment
WEIDA (ZHANGZHOU) CONSULTANT SERVICE CO., LTD.	2012.11.28	Shop front at No. 06, Block 8, West District, Hsin Rong Hsiao Zone, Hsiang Cheng Ping Tsang Yuan Road, Changchou City	USD 450	Consultation services
Jiangsu Weiming Petrochemical Corporation	2013.05.16	No. 9, Kang Cheng Village, Changsha Township, Rudong Township, Chiangsu Province	RMB 326,000 (Note 3)	Construction of alternative facilities for petrochemical project
Chung Hua Shuang Tzu Hsing Kai Fa Co.,Ltd.	2011.03.01	16F, No. 12 Tunghsing Road, Songshan District, Taipei City	NTD 2,201,000	Investment in construction of infrastructure, real property trading, international trading, real property lease, and hotel services

Name	Date of Incorporation	Address	Paid-in Capital	Principle Business
WEIDA (ZHANGZHOU) Petrochemical CO., LTD.	2014.12.31	No.1 Gulei Road., Du Xun Town, Zhangpu County, Zhangzhou City, Fujian Province	RMB 6,000 (Note 3)	Wholesale of petrochemical raw material(exclusive of crude oil, crude oil product, hazardous goods, controlled chemical product and toxic chemical products) and consulting service of petrochemicals.

Note 1: All of the affiliates should be disclosed, irrelevant to scale and size.

Note 2: Where each affiliate has established its own plant, and the sales of the products manufactured by the plant exceed 10% of the Company's operating revenue, the name, date of incorporation, address and principle business of the plant shall be included herein.

Note 3: Where the affiliate refers to a foreign company, the name and address may be stated in English, and the date of incorporation may be expressed in the form of MM/DD/YY. The paid-in capital may be expressed in foreign currency (but the exchange rate on the reporting date shall be specified).

Note 4: The process of rename company from "Chung Shih Hsing Development Corporation" to "Tao-Zhu Development corporation" has been completed on Nov 5th 2014.

(3) Overview of affiliate operation

Currency Unit: NTD Thousand

Name	Capital	Total assets	Total liabilities	Net Value	Operating revenue	Operating income (Loss)	Profit (loss) (after tax)	EPS (NT\$) (after tax)
Tsou Seen Chemical Industries Corporation	750,000	1,195,311	134,518	1,060,793	1,401,854	210,071	214,824	2.86
Taivex therapeutics Inc.	307,500	151,275	3,362	147,914	0	(25,802)	(24,930)	(0.81)
CPDC Engineering Corp.	150,000	337,228	114,266	222,962	536,584	23,431	16,109	1.07
Tao-Zhu Development corporation	100,000	82,292	54	82,239	0	(135)	(122)	(0.01)
Da Yin Construction Engineering Co., Ltd.	22,500	25,085	85	25,000	0	(222)	(157)	--
Chemax International Corporation	160,000	436,884	132,173	304,711	666,782	29,225	(17,592)	(1.10)
CPDC Investment (BVI) Co., Ltd.	904,944	1,179,491	0	1,179,491	0	(85)	(45,287)	--
Kaohsiung Monomer Co., Ltd.	500,000	2,702,077	1,358,113	1,343,963	6,833,784	833,847	718,831	14.38

Taiwan Chlorine Industries Ltd.	160,000	1,378,963	416,149	962,814	2,680,405	755,377	641,741	40.11
Praxair Chemax Semiconductor Materials Co., Ltd.	192,975	1,418,147	383,356	1,034,792	1,569,172	198,355	165,127	8.56
Rich Equities Ltd.	5,996	5,494	0	5,494	0	(39)	(36)	(0.01)
Weiqiang International Trade (Shanghai) Co., Ltd.	119,300	70,610	7,877	62,733	308,368	(46,435)	(43,557)	--
Weihua (Rudong) Trade Co., Ltd.	799,026	898,608	206,990	691,618	426,169	(105,427)	(90,671)	--
WEIDA (ZHANGZHOU) CONSULTANT SERVICE CO., LTD.	13,171	9,081	(62)	9,143	0	(1,466)	(1,412)	--
Jiangsu Weiming Petrochemical Corporation	1,604,752	1,625,990	1,738	1,624,252	0	(42,435)	(39,420)	--
Chung Hua Shuang Tzu Hsing Kai Fa Co., Ltd.	2,201,000	2,344,737	175,820	2,168,917	0	0	(52,127)	(0.24)
Unichem Development Limited	2,478,222	2,317,225	44	2,317,181	0	(295)	(128,036)	--
WEIDA (ZHANGZHOU) Petrochemical CO., LTD.	30,675	30,675	0	0	0	0	0	--

Note 1: All of the affiliates should be disclosed, irrelevant of scale and size.

Note 2: Where the affiliate refers to a foreign company, the relevant figures shall be stated in NTD at the foreign exchange rate published by the Central Bank on December 31, 2014.

Note 3: N/A

Note 4: The figures about Praxair Chemax Semiconductor Materials Co., Ltd. and WEIDA (ZHANGZHOU) Petrochemical CO., LTD. were settled by those companies internally.

2. Consolidated financial statement of affiliates

Declaration Form

1. The preparation of our company's affiliates consolidated financial statement in 2014(From January 1st to December 31st) in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and "Regulations Governing the Preparation of Financial Reports and Related Terminology by Securities Issuers".
2. Our company declare that no information relevant to our affiliates consolidated financial statement has been falsified or concealed.

Hereby certify

Company name : China Petrochemical Development Corporation

Chairman : CHING-JING SHEEN



Date : March 27th 2015

3. Affiliate Reports : None

II. Private placement of securities for the most recent year and until the date of publication of the annual report

N/A

III. Holding or disposal of the Company's stock by subsidiaries for the most recent year and until the date of publication of the annual report

N/A

IV. Supplementary Disclosure

N/A

V. Conditions that will materially affect shareholders' equity or price of securities as referred to in Paragraph 2.2 of Article 36 of the Securities and Exchange Act

Please see Pages 149~196 of the annual report about legal actions.

Please refer to Chinese annual report Pages 136~143 and Pages 171~176 about the land pollution case and the significant contingent liabilities and unrecognized contractual commitments referred to in the notes to the financial statement.

VI. Guiding Rules of Moral Behaviors

China Petrochemical Development Corporation

Guiding Rules of Moral Behaviors

Enacted by the Board of Directors convened on May 15, 2012

Article I (Purposes of enactment)

This Guiding Rules of Moral Behaviors is duly enacted as the guidelines to the entire staff members of the Company to comply with, to enable all interested parties to make sure of the Company's Guiding Rules of Moral Behaviors. The very essence of the Guiding Rules of Moral Behaviors shall be fulfilled through the entrepreneurial activities carried out by the Company and will be conforming with moral ethics prevalent in the society.

Article II (Applicable targets)

The Guiding Rules of Moral Behaviors is applicable to the "entire personnel of the Company", including directors and supervisors as well as the managerial officers (including general manager, vice general managers, assistant general managers, department heads and other employees of the Company who are in charge of the Company's business operation and entitled to sign for on behalf of the Company.

Article III (Guiding Rules of Moral Behaviors)

The Company's personnel shall, while performing assigned duties, faithfully comply with the laws and ordinances concerned and this Guiding Rules of Moral Behaviors. In up-and-coming, faithful and responsible attitude, all personnel shall break down selfish departmentalism, focus on associated teamwork, faithfully comply with the faithful and trustworthy principles so as to live up to the Company's Guiding Rules of Moral Behaviors.

The Company's directors and supervisors, managerial officers shall lead entire

staff by personal example with faithful implementation of this Guiding Rules of Moral Behaviors.

Article IV (Prevention of conflicts in interests)

All such conduct by the Company's personnel individually in getting involved in personal interests, likelihood in getting involved in the Company's overall interest and the conflict in interests so involved, including but not limited to directors and supervisors, managerial officers, who fail to take charge of business operation in objective and effective ways, or who take advantage of their positions in the Company by enabling themselves, their spouses, parents, children, relatives within the third degree of kinship by blood or by marriage, partners, the organizations where they previously served with or will serve in the future to obtain unjustifiable interest shall be strictly prohibited.

Where an affiliated enterprise of the Company's personnel lends working capital to the Company or provides guarantee to the Company, launches transaction with the Company in major assets, in input, output transaction or is in likelihood of such transactions which might incur conflict in interests, such personnel including but not limited to directors and supervisors, managerial officers or their superior department heads, shall, on their initiative, come forward to explain the potential conflict in interests and shall obtain approval from the level one degree higher than the approval power table beforehand.

To prevent potential conflict in interests and put into effect thoroughly the principle of fair trade, the counterparts of major business operation of the Company or their directors and supervisors, substantial controllers, ranking managerial officers or those dominate them either directly or indirectly while holding over 1% of the total shares held by the Company, shall not serve as the Company's directors and supervisors directly themselves or through representatives appointed by them or personnel elected under their powers of election.

Article V (No effort to strive for personal interests)

Where the Company gets an opportunity to make profit, the Company's personnel are obliged to put forth maximum possible efforts to strive for the justifiable lawful interests.

Under no circumstances shall the Company's personnel take any of the conducts below:

1. Strive for opportunities to make personal profits by means of the Company's properties, information, or their positions in the Company;
2. Strive for personal interests by means of the Company's properties, information, or their positions in the Company;
3. Take any act against the interests of the Company by taking charge of their duties, through their spouses, parents, children or relative within the third degree of kinship by blood or by marriage, partners, the positions having previously served or will serve in the future through competition against the Company or in any other means.

Article VI (Obligations to declare authentic transaction)

Where the Company's personnel are in transaction with other people in performance of their duties, they shall faithfully declare the contents of transactions without concealment or misrepresentation to damage the Company's interests.

Article VII (Non-disclosure obligations)

The Company's personnel shall be subject to non-disclosure obligations for the information of the Company itself or the Company's input (output) customers unless duly authorized or permitted by law for disclosure. The information which is subject to non-disclosure obligations includes all information which has not been made public and would be detrimental to the Company or customers if used by competitors or if disclosed. The Company's personnel shall be equally subject to non-disclosure obligations even after they quit the Company.

All the Company's personnel shall be subject to non-disclosure obligations for the confidential information, technological data, personal data or other information the contents of which have not been made public (including legal, oral, written documents classified "confidential" or similar expression) known from or obtained from a third party, and shall not inquire into them or use them except for need in business operation.

Unless agreed upon by the Company in writing in advance, under no circumstances shall the Company's personnel duplicate the secret information or produce duplicate copies of such confidential information, nor shall they disclose, hand over or transfer such information in any means to others or make such information public in any means.

Article VIII (Fair Trade Principles)

All personnel of the Company shall equally treat the Company's input (output) customers, competitors and employees. Under no circumstances shall the Company's personnel try to strive for unjustifiable interests by manipulating, concealing, abusing, misrepresentation or using the information, major issues obtained in performance of duties or other unfair means.

Article IX (Appropriate custody, protection and use of the Company's assets)

All personnel of the Company shall be obliged to safeguard the Company's assets and shall assure that all the assets should be used onto public affairs of the Company effectively and lawfully, without being stolen, neglected or wasted.

Article X (Law compliance)

All personnel of the Company shall faithfully comply with all rules and regulations governing the Company and the Company's policies and shall faithfully comply with Securities and Exchange Law.

Where the personnel of the Company obtain information which would significantly influence the prices of stock transaction of the Company, until such

information is disclosed public, all personnel shall put such information in strict confidence as required under the Securities and Exchange Law and shall be prohibited from using such information into inside trading.

Article XI (Obligations and protection of declaration)

Whenever any person of the Company is suspected or found having violated laws and ordinances concerned or Guiding Rules of Moral Behaviors, the head of internal audit shall duly report through appropriate channels to other competent authority and provide adequate information to enable the Company to solve the issue in time.

Whenever the Company processes a case through classified documents, the Company shall put forth maximum possible efforts to safeguard the information and the reporting personnel.

An accused person shall not take any act in intimidation or retaliation.

Article XII (Penalty and remedy)

Whenever a person of the Company breaches this Guiding Rules of Moral Behaviors, he or she shall be subject to penalty pursuant to relevant rules and regulations concerned as the actual situations may justify. The department head of such offender shall receive the equal punishment if he or she knowingly fails to rectify or solve such offense.

Where a director or a managerial officer has allegedly violated these Guiding Rules of Moral Behaviors, the Company shall impose penalty in accordance with the internal rules concerned and shall have the position title, name, date of violation, fact of offense, contents of the violated rules and countermeasures of such person who violates the Guiding Rules of Moral Behaviors disclosed on the Market Observation Post System (MOPS) promulgated by the Taiwan Stock Exchange Corporation (TSEC).

A person who is penalized due to violation of the Guiding Rules of Moral Behaviors may lodge grievance to the competent authority one level higher.

Article XIII (Procedures for waiver applicability)

Where a director or supervisor or managerial officer is necessary to be waived from compliance with the Guiding Rules of Moral Behaviors, such waiver may be granted after it is duly resolved in the board of directors.

For information mentioned in the preceding paragraph, the position title(s), name(s), during of waiver, causes entitled to the waiver and rules and regulations relevant to the waiver shall be duly promulgated in the Market Observation Post System (MOPS).

Article XIV (Methods of disclosure)

The Guiding Rules of Moral Behaviors and amendment hereof shall be disclosed through annual report, prospectus, Market Observation Post System (MOPS).

Article XV (Organization and responsibilities)

To assure sound implementation of the Guiding Rules of Moral Behaviors, the Human Resources Department shall take charge of enactment of the Guiding Rules of Moral Behaviors, the Auditors' Office shall assume the responsibility for implementation and shall report to the board of directors on a regular basis.

Article XVI (Enforcement)

This Guiding Rules of Moral Behaviors and amendment hereof comes into effect after being resolved in the Board of Directors.

Article XVII (Records of additions, amendments)

These Guiding Rules of Moral Behaviors is duly enacted on May 15, 2012.

VII. Ethical Corporate Management Best Practice Principles

China Petrochemical Development Corporation Ethical Corporate Management Best Practice Principles

Resolved by the Board of Directors convened on May 15, 2012

Article I (Purposes of enactment and scope of applicability)

These Ethical Corporate Management Best Practice Principles (hereinafter referred to as the "Principles") are duly enacted and promulgated in an attempt to set up corporate cultures of the Company of ethical and faithful business operation to assure wholesome development.

The "Principles" are equally applicable to the Company's subsidiaries.

Article II (Ban on unethical behaviors)

During the process of commercial activities, the Company's directors, supervisors, managers, employees shall not, either directly or indirectly, offer, promise to offer, request or accept any improper benefits, nor shall they commit any unethical acts including breach of ethics, illegal acts, or breach of entrusted obligations (hereinafter referred to as "Unethical Conduct") for the purposes of acquiring or maintaining benefits.

The target parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other interested parties.

Article III (Types of benefits)

The term “benefits” as set forth in the "Principles" denotes any valuable things, including money, endowments, commissions, positions, services, **preferential terms or rebates** of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be, nevertheless, excluded.

Article IV (Compliance of law)

The Company shall comply with the Company Law, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM-listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article V (Policies)

The Company shall abide by the operational philosophies of integrity, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

Article VI (Efforts of prevention)

The Company is advised to, in accordance with the operational philosophies and policies prescribed in the preceding Article, establish in its own ethical corporate management best practice principle comprehensive programs to forestall unethical conduct (hereinafter referred to as “Prevention Program”), including operational procedures, guidelines of conduct and training programs.

The Prevention Program so enacted by the Company shall comply with laws and ordinances concerned.

In the course of enacting the Prevention Program, the Company is advised to negotiate with staff members, labor unions.

Article VII (Scope of the Prevention Program)

When enacting the Prevention Program, the Company shall analyze which business activities within their business scope which may be at a higher risk of being involved in an Unethical Conduct, and shall strengthen the preventive measures.

The Prevention Program enacted by the Company shall include the minimum of preventive measures against the following:

- I. Offering and acceptance of bribes.
- II. Providing illegal political donations.
- III. Offering improper charitable donations or sponsorship.
- IV. Offering or acceptance of unjustifiable presents or hospitality, or other improper benefits.

Article VIII (Commitment and enforcement)

The Company and its and its respective business groups shall clearly specify ethical corporate management policies in their rules and external documents. The board of directors and the management level shall undertake to rigorously and thoroughly enforce such policies through internal management and external commercial activities.

Article IX (Ethical corporate management in commercial activities)

The Company shall engage in commercial activities in a fair and transparent manner and is advised not to have any dealings with persons who have any records of unethical conduct previously.

When entering into agreements/contracts with other parties, the Company shall include in provisions of such agreements/contracts demanding ethical corporate

management policy compliance and that in the event the trading counterparts are suspected of engaging in unethical conduct, the Company may at any time terminate or cancel the agreements/contracts forthwith.

Article X (Ban on offering and accepting bribes)

When engaging in business, the Company and its directors, supervisors, managers and employees shall not, either directly or indirectly, offer, promise to offer, request or accept any improper benefits, including rebates, commissions, grease payments, or offer or accept improper benefits in other means to or from clients, agents, contractors, suppliers, public servants, or other interested parties, unless the laws of the territories where the Company operates permit such acts.

Article XI (Ban on offering unlawful political donation)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, supervisors, managers and employees shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business privilege.

Article XII (Ban on unjustifiable charity donation or sponsorship)

When making or offering donations or sponsorship, the Company and its directors, supervisors, managers and employees shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery in guise.

Article XIII (Ban on unjustifiable gift, entertainment or other unjustifiable benefits)

The Company and its directors, supervisors, managers, employees shall not, either directly or indirectly, offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or affect commercial transactions.

Article XIV (Organization and responsibility)

The Company's board of directors shall exercise due diligence as a bona fide administrator to urge the Company to prevent unethical conduct, review the results of the preventive measures and continually make adjustments all the time so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company's Human Resources Department and Legal Office shall duly enact and enforce the ethical corporate management policies and preventing act. The Auditor Office shall superintend the enforcement and report to the board of directors on a regular basis.

Article XV (Law compliance of enforcement of business operation)

The Company's directors, supervisors, managers and employees shall comply with laws and regulations and the Prevention Program when conducting business operation.

Article XVI (Avoidance from conflict of interests by directors, supervisors, managers)

The Company shall enact and promulgate policies for preventing conflicts of interests and shall offer appropriate means for directors, supervisors and managers to explain on their initiative whether their interests would potentially conflict with those of the Company.

The Company's directors shall exercise a high level self-discipline. A director may present his or her opinion and answer relevant questions but is prohibited

from participating in discussion of or voting on any proposal and should withdraw upon discussion and voting where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company; neither shall a director vote on such proposal as a proxy of another director in such circumstances. The directors shall practice self-discipline among themselves and must not support one another in improper dealings.

The Company's directors, supervisors and managers shall not take advantage of their positions in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article XVII (Accounting and internal control)

The Company shall establish effective accounting systems and internal control systems for business activities which may be at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are continually effective.

The Company's Internal auditors shall periodically examine the Company's compliance with the foregoing and prepare audit reports and submit the same to the board of directors.

Article XVIII (Operational procedures and behavioral guidelines)

The Company shall enact operational procedures and behavioral guidelines in accordance with Article VI hereof to guide directors, supervisors, managers and employees on how to conduct business. The procedures and guidelines shall contain a minimum of the following particulars:

- I. Standards to determine whether improper benefits have been offered or accepted.
- II. Procedures to offer legitimate political donations.
- III. Procedures and the standards of amounts to offer charitable donations or

sponsorship.

- IV. Rules to avoid work-related conflicts of interests and how they should be reported and handled.
- V. Rules to keep confidential trade secrets and sensitive business information obtained in the routine course of business operation.
- VI. Regulations and procedures to deal with suppliers, clients and business transaction counterparts who have been suspected of unethical conduct.
- VII. Handling procedures for violations of the Ethical Corporate Management Best Practice Principles.
- VIII. Disciplinary measures on offenders against the Principles.

Article XIX (Educational & training programs and performance rating)

The Company shall, on a regular basis, organize and sponsor training programs and awareness programs for directors, supervisors, managers and employees to enable them to be fully aware of the Company's resolve to implement ethical corporate management, the related policies, Prevention Program and the consequences of committing unethical conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clean, clear and effective reward and discipline system.

Article XX (Accusation and punishment)

TWSE/GTSM-listed companies shall have in place a formal channel to receive reports on unethical conduct and to keep the reporter's identity and content of the report absolutely confidential.

Article XXI (Disclosure of information)

The Company shall disclose the status of the enforcement of its own Ethical Corporate Management Best Practice Principles through its websites, annual

reports and prospectuses.

Article XXII (Review and updating of the Ethical Corporate Management Best Practice Principles)

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management, and encourage directors, supervisors, managers and employees to offer their suggestions so as to review and improve the ethical corporate management best practice principles and achieve better results from implementation of the Principles.

Article XXIII (Enforcement)

These Ethical Corporate Management Best Practice Principles of the Company shall be implemented after being resolved in the Board of Directors. The same procedure shall be followed whenever the Principles are amended.

Article XXIV (Records of addition and amendment)

These Ethical Corporate Management Best Practice Principles are duly enacted on May 15, 2012.

(English Translation of Financial Report Originally Issued in Chinese)

**CHINA PETROCHEMICAL DEVELOPMENT
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS' AUDIT REPORT**

DECEMBER 31, 2014 AND 2013

**Address: 11th Fl., No.12, Dong Xing Rd., Taipei, Taiwan, R.O.C.
Telephone: 886-2-8787-8187**

(English Translation of Consolidated Financial Report Originally Issued In Chinese)
CHINA PETROCHEMICAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
December 31, 2014 and 2013, January 1, 2013

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(English Translation of Consolidated Financial Report Originally Issued In Chinese)
INDEPENDENT ACCOUNTANTS' AUDIT REPORT

The Board of Directors and Stockholders
China Petrochemical Development Corporation

We have audited the accompanying consolidated balance sheets of China Petrochemical Development Corporation and its subsidiaries (the Consolidated Company) as of December 31, 2014, and December 31, 2013 (restated) and January 1, 2013 (restated), and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2014 and 2013 (restated). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of one of the consolidated subsidiaries, Chung Hua Shuang Tzu Hsing Kai Fa Co., Ltd., were audited by other auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts for the company, were based solely on the report of other auditor. The total assets of Chung Hua Shuang Tzu Hsing Kai Fa Co., Ltd. Were \$2,344,737 thousand and \$2,379,388 thousand, representing 3.03% and 3.35% of consolidated total assets as of December 31, 2014 and 2013, respectively, and the total operating revenue thereon of \$0 thousand, representing 0% of consolidated total operating revenue both for the year ended December 31, 2014 and 2013. Moreover, certain investments, which were accounted for under the equity method based on the financial statements of the investees, were audited by other auditors. Our audit, insofar as it related to the investments accounted for under the equity method balances of \$1,557,754 thousand, \$1,581,316 thousand and \$1,834,912 thousand, representing 2.01%, 2.23% and 2.86% of consolidated total assets as of December 31, 2014 and 2013 and January 1, 2013, respectively, and the related shares of investment income from subsidiaries, associates and joint ventures accounted for using equity method thereof amounting to \$183,150 thousand and \$169,430 thousand, representing 51.94% and 3.18% of consolidated net income before income tax for the year ended December 31, 2014 and 2013, respectively, were based solely on the reports of other auditors.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Petrochemical Development Corporation and its subsidiaries as of December 31, 2014 and December 31, 2013 (restated) and January 1, 2013 (restated), and the results of their consolidated operations and their consolidated cash flows for the years ended December 31, 2014 and 2013 (restated), in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China.

Refer to Note 4, the Company and its subsidiaries changed its accounting policy with respect to the subsequent measurement of investment properties from the cost model to the fair value model since January 1, 2014 and presented the retrospective restatement in the consolidated balance sheets as of December 31 and January 1, 2013, and the related consolidated statements of comprehensive income, changes in stockholders’ equity, and cash follows for the year then ended December 31, 2013.

As described in Notes 6.h and 6.m, the Tainan City Government and Environment Protection Administration, the Executive Yuan publicly announced that a portion of the land at the Anshun plant was polluted and designated it as under pollution control. As China Petrochemical Development Corporation never used the land since it took over from its merger with Taiwan Alkali Industrial Corporation (TAIC), China Petrochemical Development Corporation still has a dissenting view on the government perception about the condition of pollution. Aside from cooperating with the government in its control and management procedure, the Company is seeking a way to define its responsibilities. In addition, China Petrochemical Development Corporation submitted for approval a remediation project proposal to the Tainan City Government in accordance with the related regulations and accrued relevant remediation project expenses in June 2008. This remediation project proposal was approved in May 2009. China Petrochemical Development Corporation performed related remediation work according to the remediation project proposal. The first phase of remediation project was completed in September 2014, the second phase of remediation project will be completed in next decade and China Petrochemical Development Corporation accrued relevant remediation project expenses for the second phase of remediation project in December 2014.

We have audited and expressed a modified unqualified opinion on the parent company only financial statements of China Petrochemical Development Corporation for the years ended December 31, 2014 and December 31, 2013 (restated).

KPMG
CPA: Melody Chen
CPA: Jeff Chen
Securities and Futures Commission
Ministry of Finance, R.O.C. regulation
(88) Tai-Tsai-Jung (6) No. 18311
Jin-Guan-Jung-Shen No. 1020000737

March 27, 2015

Notes to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of the Report Originally Issued in Chinese)

CHINA PETROCHEMICAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013, January 1, 2013

(Expressed in thousands of New Taiwan Dollars)

	December 31, 2014		December 31,2013 (Restated)		January 1, 2013 (Restated)	
	Amount	%	Amount	%	Amount	%
ASSETS						
Current assets						
Cash and cash equivalents (Notes 4 and 6 a.)	\$ 10,412,190	13	8,186,545	12	5,312,792	8
Financial assets at fair value through profit or loss— current (Notes 4 and 6 b.)	942,771	1	1,088,420	2	606,915	1
Available-for-sale financial assets— current (Notes 4 and 6 b.)	185,589	-	-	-	-	-
Notes and accounts receivable, net (Notes 4 and 6 c.)	2,305,182	3	2,223,097	3	2,730,198	4
Accounts receivable — related parties, net (Notes 4, 6 c. and 7)	102,484	-	129,608	-	147,187	-
Other receivables (Notes 4 and 6 c.)	103,753	-	53,315	-	811,756	1
Inventories (Notes 4 and 6 d.)	2,169,636	3	2,708,127	4	2,780,905	5
Prepayments	1,223,573	2	191,530	-	707,626	1
Other current assets	722,946	1	333,876	-	1,536,088	3
Total current assets	18,168,124	23	14,914,518	21	14,633,467	23
Non-current assets						
Available-for-sale financial assets— non-current (Notes 4 and 6 b.)	1,347,769	2	1,592,009	2	1,246,206	3
Financial assets carried at cost— non-current (Notes 4 and 6 b.)	1,173,907	2	1,285,419	2	687,934	1
Investments accounted for using equity method (Notes 4 and 6 e.)	2,685,059	3	2,503,943	4	2,869,779	4
Property, plant and equipment (Notes 4 and 6 g.)	16,980,407	22	18,797,074	26	19,422,071	30
Investment property, net (Notes 4 and 6 h.)	37,009,324	48	31,842,895	45	25,138,875	39
Intangible assets (Notes 4 and 6 i.)	20,169	-	21,972	-	49,787	-
Deferred tax assets (Notes 4 and 6 q.)	9,365	-	4,204	-	25	-
Other non-current assets	34,291	-	39,316	-	37,293	-
Total non-current assets	59,260,291	77	56,086,832	79	49,451,970	77
TOTAL ASSETS	\$ 77,428,415	100	71,001,350	100	64,085,437	100

LIABILITIES AND EQUITY

Current liabilities

Short-term loans (Note 6 j.)	
Accounts payable	
Accounts payable— related parties (Note 7)	
Other payables	
Current tax liabilities (Notes 4 and 6 q.)	
Provisions— current (Notes 4, 6 m. and 6 p.)	
Current portion of long-term bank loans (Notes 6 j.)	
Other current liabilities, others	

Total current liabilities

Non-current liabilities

Financial liabilities at fair value through profit or loss— non-current (Notes 4, 6 b. and 6 l.)	
Bonds payable (Notes 6 l.)	
Long-term bank loans (Notes 6 j.)	
Provisions— non-current (Notes 4, 6 m. and 6 p.)	
Deferred tax liabilities (Notes 4 and 6 q.)	
Long-term bills payable (Notes 6 k.)	
Non-current preferred share liabilities (Notes 4 and 6 n.)	
Other non— current liabilities, others	

Total non-current liabilities

Total liabilities

Equity attributable to shareholders of the parent

Share Capital	
Common stock (Notes 6 r.)	
Retained earnings: (Notes 6 r.)	
Legal reserve	
Special reserve	
Unappropriated earnings	
Others	
Exchange differences arising on translation of foreign operations (Notes 4 and 6 r.)	
Changes in fair value of available-for-sale financial assets (Notes 4 and 6 r.)	

Non-controlling interests

Total equity

TOTAL LIABILITIES AND EQUITY

	December 31, 2014		December 31,2013 (Restated)		January 1, 2013 (Restated)	
	Amount	%	Amount	%	Amount	%
\$ 2,564,933	3	3,386,798	5	-	-	
1,537,757	2	2,032,514	3	2,628,095	4	
9,349	-	21,295	-	26,226	-	
574,667	1	351,728	-	619,509	1	
31,279	-	53,818	-	63,163	-	
626,462	1	697,355	1	927,697	2	
105,000	-	-	-	-	-	
219,062	-	242,411	-	161,489	-	
5,668,509	7	6,785,919	9	4,426,179	7	
706,549	1	-	-	-	-	
3,843,671	5	-	-	-	-	
1,595,000	2	400,000	1	-	-	
2,625,100	4	1,749,270	2	2,731,203	4	
8,082,362	11	8,088,816	11	8,091,100	13	
998,793	1	599,900	1	-	-	
172,270	-	165,548	-	-	-	
316,870	-	112,779	-	128,370	-	
18,340,615	24	11,116,313	15	10,950,673	17	
24,009,124	31	17,902,232	24	15,376,852	24	
23,199,897	30	23,199,897	33	23,199,897	36	
1,062,727	2	1,823,040	3	1,681,232	3	
29,654,282	38	29,654,282	42	4,194,973	7	
288,648	-	(760,313)	(1)	20,781,934	32	
31,005,657	40	30,717,009	44	26,658,139	42	
(31,944)	-	(142,972)	-	(190,171)	-	
(982,649)	(1)	(885,919)	(1)	(997,886)	(2)	
(1,014,593)	(1)	(1,028,891)	(1)	(1,188,057)	(2)	
228,330	-	211,103	-	38,606	-	
53,419,291	69	53,099,118	76	48,708,585	76	
\$ 77,428,415	100	71,001,350	100	64,085,437	100	

The accompanying notes are an integral part of the consolidated financial statements.
(With KPMG audit report dated March 27, 2015)

(English Translation of the Report Originally Issued in Chinese)
CHINA PETROCHEMICAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2014 and 2013
(Expressed in thousands of New Taiwan Dollars)

	For the Years Ended December 31,			
	2014		2013 (Restated)	
	Amount	%	Amount	%
Operating revenue (Notes 4 and 6 t.)	\$ 33,249,482	100	35,338,541	100
Operating costs (Notes 4 and 6 d.)	34,012,188	102	35,871,077	102
	(762,706)	(2)	(532,536)	(2)
Less: Unrealized (profit) loss on intercompany transactions	(931)	-	(474)	-
Add: Realized profit (loss) on intercompany transactions	474	-	1,180	-
Gross loss	(763,163)	(2)	(531,830)	(2)
Operating expenses				
Selling expenses	588,044	2	636,717	2
Administrative expenses	627,335	3	401,269	1
Research and development expenses	196,090	1	227,201	1
	1,411,469	6	1,265,187	4
	(2,174,632)	(8)	(1,797,017)	(6)
Loss from operations				
Non-operating income and expenses				
Other income (Notes 6 u.)	207,653	1	167,199	-
Other gains and losses (Notes 6 u.)	1,841,513	6	6,596,127	19
Finance costs (Notes 6 u.)	(83,211)	-	(14,261)	-
Share of profit (loss) of associates and joint ventures accounted for using equity method (Notes 4 and 6 e.)	561,268	2	367,613	1
Total non-operating income and expenses	2,527,223	9	7,116,678	20
Income before income tax	352,591	1	5,319,661	14
Less: Income tax expense (Notes 4 and 6 q.)	58,059	-	74,594	-
Net income	294,532	1	5,245,067	14
Other comprehensive income:				
Exchange differences arising on translation of foreign operations	112,327	-	46,511	-
Changes in fair value of available-for-sale financial assets	(58,651)	-	177,763	1
Actuarial loss from defined benefit plans	11,774	-	(61,587)	-
Share of other comprehensive loss of associates and joint ventures	(39,809)	-	(59,637)	-
Other comprehensive income for the year, net of income tax	25,641	-	103,050	1
Total comprehensive income for the year	\$ 320,173	1	5,348,117	15
Net income attributable to :				
Shareholders of the parent	\$ 304,449	1	5,275,719	14
Non-controlling interests	(9,917)	-	(30,652)	-
	\$ 294,532	1	5,245,067	14
Comprehensive income attributable to :				
Shareholders of the parent	\$ 329,224	1	5,378,031	15
Non-controlling interests	(9,051)	-	(29,914)	-
	\$ 320,173	1	5,348,117	15
Earnings per share (NTD) (Notes 4 and 6 s.)				
Basic earnings per share	\$ 0.13		2.27	
Diluted earnings per share	\$ 0.13		2.27	

The accompanying notes are an integral part of the consolidated financial statements.
(With KPMG audit report dated March 27, 2015)

(English Translation of the Report Originally Issued in Chinese)
CHINA PETROCHEMICAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
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 Shareholders of the Parent								
	Retained earnings				Others		Total	Non-controlling interests	Total Equity
	Common Stock	Legal Reserve	Special Reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations	Changes in fair value of available-for-sale financial assets			
Balance – January 1, 2013	\$ 23,199,897	1,681,232	4,194,973	6,263,342	(190,171)	(997,886)	34,151,387	38,606	34,189,993
Influence on retrospective application and retrospective adjustments	-	-	-	14,518,592	-	-	14,518,592	-	14,518,592
Restated Balance – January 1, 2013	23,199,897	1,681,232	4,194,973	20,781,934	(190,171)	(997,886)	48,669,979	38,606	48,708,585
Net income for the year ended December 31, 2013 (Restated)	-	-	-	5,275,719	-	-	5,275,719	(30,652)	5,245,067
Other comprehensive income (loss) for the year ended December 31, 2013 (Restated)	-	-	-	(56,854)	47,199	111,967	102,312	738	103,050
Total comprehensive income (loss)	-	-	-	5,218,865	47,199	111,967	5,378,031	(29,914)	5,348,117
Appropriations and distribution of 2012 earnings :									
Legal reserve	-	141,808	-	(141,808)	-	-	-	-	-
Special reserve	-	-	4,235,076	(4,235,076)	-	-	-	-	-
Cash dividends	-	-	-	(1,159,995)	-	-	(1,159,995)	-	(1,159,995)
Change in non-controlling interests	-	-	-	-	-	-	-	202,411	202,411
Restated Balance – December 31, 2013	23,199,897	1,823,040	8,430,049	20,463,920	(142,972)	(885,919)	52,888,015	211,103	53,099,118
Recognized special reserve in accordance with the Gin Guan Zheng Tsai No.1030006415 letter	-	-	21,224,233	(21,224,233)	-	-	-	-	-
Restated Balance – January 1, 2014	23,199,897	1,823,040	29,654,282	(760,313)	(142,972)	(885,919)	52,888,015	211,103	53,099,118
Net income for the year ended December 31, 2014	-	-	-	304,449	-	-	304,449	(9,917)	294,532
Other comprehensive income (loss) for the year ended December 31, 2014	-	-	-	10,477	111,028	(96,730)	24,775	866	25,641
Total comprehensive income (loss)	-	-	-	314,926	111,028	(96,730)	329,224	(9,051)	320,173
Appropriations and distribution of 2013 earnings :									
Legal reserve used to cover accumulated deficits	-	(760,313)	-	760,313	-	-	-	-	-
Adjustment arising from changes in percentage of ownership in subsidiaries	-	-	-	(26,278)	-	-	(26,278)	26,278	-
Balance – December 31, 2014	\$ 23,199,897	1,062,727	29,654,282	288,648	(31,944)	(982,649)	53,190,961	228,330	53,419,291

The accompanying notes are an integral part of the consolidated financial statements.
(With KPMG audit report dated March 27, 2015)

(English Translation of the Report Originally Issued in Chinese)
CHINA PETROCHEMICAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013
(Expressed in thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2014	2013 (Restated)
Cash flows from operating activities:		
Net income before income tax	\$ 352,591	5,319,661
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation expense	2,063,849	1,935,542
Amortization expense	7,521	9,866
Loss on financial liabilities at fair value through profit or loss	507,171	-
Interest expense	83,211	14,261
Interest income	(60,826)	(33,902)
Shares of loss of subsidiaries and associates accounted for using equity method	(561,268)	(367,613)
Effect of exchange rate changes on bonds payable	47,916	-
Loss on disposal of property, plant and equipment	5,088	14,426
Gain on disposal of investments	(61,523)	(3)
Impairment loss of financial assets	(357)	(46,086)
Impairment loss of intangible assets	-	23,453
(Gain on reversal of) impairment loss on non-financial assets	1,268,992	(67,732)
Unrealized profit on intercompany transactions	(931)	(474)
Gain arising from adjusting fair value of investment property	(5,172,872)	(6,705,316)
Unrealized extraordinary loss- pollution remediation project	1,356,000	-
Amortization of bond issued expense	1,004	-
Total adjustments to reconcile net loss	(517,025)	(5,223,578)
Change in operating assets and liabilities :		
Change in operating assets :		
Decrease (increase) in financial assets held for trading	505,171	(424,451)
(Increase) decrease in accounts receivable	(82,085)	507,101
Decrease in receivables — related parties	27,124	17,579
Increase in other receivables	(54,220)	(4,379)
Decrease in inventories	484,249	140,984
(Increase) decrease in prepayments	(1,032,043)	516,096
(Increase) decrease in other current assets	(393,603)	1,169,238
Total changes in operating assets	(545,407)	1,922,168
Change in operating liabilities :		
Decrease in accounts payable	(494,757)	(595,581)
Decrease in payables — related parties	(11,946)	(4,931)
Decrease in other payables	(362,885)	(323,269)
Decrease in provisions — current	(70,893)	(230,342)
Decrease in provisions — non-current	(92,611)	(981,933)
(Decrease) increase in other current liabilities	(58,309)	56,174
Total changes in operating liabilities	(1,091,401)	(2,079,882)
Total changes in operating assets and liabilities	(1,636,808)	(157,714)
Total adjustments	(2,153,833)	(5,381,292)
Cash used in operations	(1,801,242)	(61,631)
Interest received	64,608	30,157
Interest paid	(79,750)	(14,996)
Income taxes paid	(34,138)	(88,998)
Net cash used in operating activities	(1,850,522)	(135,468)
Cash flows from investing activities:		
Acquisition of current financial assets at fair value through profit or loss	(178,234)	(10,968)
Proceeds from current financial assets at fair value through profit or loss	22,104	-
Proceeds from disposal of non-current assets held for sale	-	766,565
Acquisition of available-for-sale financial assets	-	(241,200)
Acquisition of financial assets carried at cost	(30,000)	(599,995)
Proceeds from capital reduction of financial assets carried at cost	-	2,510
Acquisition of property, plant and equipment	(1,415,905)	(1,268,853)
Proceeds from disposal of property, plant and equipment	-	1,722
Increase in other non-current assets	(693)	(7,527)
Dividend received	408,463	710,711
Net cash used in investing activities	(1,194,265)	(647,035)
Cash flows from financing activities:		
Increase in short-term loans	-	3,386,798
Decrease in short-term loans	(821,865)	-
Proceeds from issuance of bonds	4,127,904	-
Increase in long-term bank loans	1,300,000	400,000
Increase in long-term bills payable	399,213	599,900
Increase in preferred share liabilities	-	165,548
Increase (Decrease) in other non-current liabilities	204,091	(15,591)
Cash dividends	-	(1,159,995)
Changes in non-controlling interests	26,278	202,411
Net cash provided by financing activities	5,235,621	3,579,071
Effect of exchange rate changes on cash and cash equivalents	34,811	77,185
Net increase in cash and cash equivalents	2,225,645	2,873,753
Cash and cash equivalents, beginning of the year	8,186,545	5,312,792
Cash and cash equivalents, end of the year	\$ 10,412,190	8,186,545

The accompanying notes are an integral part of the consolidated financial statements.
(With KPMG audit report dated March 27, 2015)

(English Translation of Financial Report Originally Issued in Chinese)
CHINA PETROCHEMICAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013, January 1, 2013
(Amounts expressed in thousands of New Taiwan Dollars,
except for per share information or unless otherwise specified)

1. HISTORICAL HIGHLIGHTS AND SCOPE OF BUSINESS

China Petrochemical Development Corporation (Hereafter the Company) was founded on July 8, 1969 under the approval of Ministry of Economic Affairs, R.O.C. The registered address is 11th floor, No.12, Dongxing Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.) The Company and its subsidiaries' (hereafter referred to as the "Consolidated Company") primarily engage in the production of petroleum, alkali-chlorine, phosphoric acid and other petrochemical products and by-products and the storage, transportation, purchase and sale of these products, related chemicals and their raw materials. The primary products are acrylonitrile, caprolactam, acetic acid and nylon.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements for the years ended December 31, 2014 and 2013 were authorized for issue by the Board of Directors on March 26, 2015.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

- a. Impact of the 2013 version of the International Financial Reporting Standard ("IFRS") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet effective

According to the official letter No.1030010325 issued on April 3, 2014 by the FSC, listed, over-the-counter, and emerging stock companies are required to conform to the 2013 version of the IFRS endorsed by the FSC (IFRS 9 Financial instruments is excluded) in preparing financial statements.

The new standards and amendments issued by the International Accounting Standards Board ("IASB") were as follows:

New standards and amendments	Effective date per IASB
Amended IFRS 1 " <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i> "	2010.7.1
Amended IFRS 1 " <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> "	2011.7.1
Amended IFRS 1 " <i>Government Loans</i> "	2013.1.1
Amended IFRS 7 " <i>Disclosure — Transfers of Financial Assets</i> "	2011.7.1
Amended IFRS 7 " <i>Disclosure — Offsetting Financial Assets and Financial Liabilities</i> "	2013.1.1

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CHINA PETROCHEMICAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

New standards and amendments	Effective date per IASB
IFRS 10 <i>Consolidated Financial Statements</i>	2013.1.1 (Investment Entities amendments, effective 1 January 2014.)
IFRS 11 Joint Arrangements	2013.1.1
IFRS 12 Disclosure of Interests in Other Entities	2013.1.1
IFRS 13 Fair Value Measurement	2013.1.1
Amended IAS 1 “Presentation of Items of Other Comprehensive Income”	2012.7.1
Amended IAS 12 “Deferred Tax: Recovery of Underlying Assets”	2012.1.1
Amended IAS 19 “Employee Benefits”	2013.1.1
Amended IAS 27 “Separate Financial Statements”	2013.1.1
Amended IAS 32 “Offsetting Financial Assets and Financial Liabilities”	2014.1.1
IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	2013.1.1

The Consolidated Company had assessed that the adoption of the 2013 version of the IFRS may not have significant impact on the accompanying condensed interim consolidated financial statements except for the following:

A. IAS 1 Presentation of Financial Statements

The line items of the other comprehensive income section shall be classified according to their nature, and grouped between those items that will or will not be reclassified to profit and loss in subsequent periods. Allocation of income tax to two groups of items of other comprehensive is also required. The adoption of this accounting standard is expected to change the presentation of comprehensive income statements.

B. IFRS 12 Disclosure of Interests in Other Entities

This standard is a summary disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this accounting standard is expected to increase the disclosures on the consolidated and unconsolidated entities.

C. IFRS 13 Fair Value Measurement

This standard defines fair value and provides a framework for measuring fair value and requires disclosures on fair value measurement. The adoption of this accounting standard is not expected to have significant impact on the financial position and the results of operations, but is expected to increase the disclosures relating to fair value measurement.

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CHINA PETROCHEMICAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b. Impact of IFRS issued by the IASB but not yet endorsed by the FSC

The 2013 version of the IFRS issued by the IASB but not yet endorsed by the FSC were as follows:

New standards and amendments	Effective date per IASB
IFRS 9 <i>Financial Instruments</i>	2018.1.1
Amended IAS 28 and IFRS 10 " <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> "	2016.1.1
Amended IFRS 11 " <i>Accounting for Acquisitions of Interests in Joint Operations</i> "	2016.1.1
IFRS 14 <i>Regulatory Deferral Accounts</i>	2016.1.1
IFRS 15 <i>Revenue from Contracts with Customers</i>	2017.1.1
Amended IAS 16 and IAS 38 " <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> "	2016.1.1
Amended IAS 19 " <i>Defined Benefit Plans: Employee Contributions</i> "	2014.7.1
Amended IAS 27 " <i>Equity method in separate financial statements</i> "	2016.1.1
Amended IAS 36 — <i>Recoverable Amount Disclosures for Non-Financial Assets</i> "	2014.1.1
Amended IAS 39 — <i>Novation of Derivatives and Continuation of Hedge Accounting</i> "	2014.1.1
Amended IFRIC 21 — <i>Levies</i> "	2014.1.1

As the standards and amendments above have not been endorsed by the FSC, the Consolidated Company is in the process of assessing the impact on the financial position and the results of operations. Related impact will be disclosed following the completion of its assessments.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies presented in the consolidated financial statements are summarized as follows:

The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements, except when otherwise indicated.

a. Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by FSC (hereinafter referred to as the IFRSs endorsed by FSC).

b. Basis of Preparation

1. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

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CHINA PETROCHEMICAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (1) Financial instruments at fair value through profit or loss are measured at fair value (including derivative financial instruments);
- (2) Available for sale financial assets are measured at fair value; and
- (3) The defined benefit asset is recognized as plan assets, plus unrecognized past service cost and unrecognized actuarial loss, less the present value of the defined benefit obligation and unrecognized actuarial profit.
- (4) Investment properties are measured at fair value.

2. Functional and presentation currency

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

c. Basis of Consolidation

1. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements were as follows:

Name of investors	Name of subsidiaries	Nature of business	Shareholding ratio			Notes
			2014.12.31	2013.12.31	2013.1.1	
The Company	Chemax International Corp. (CIC)	Announcement energy products besides petroleum chemical products, electronic chemicals variety of industrial gases, gas mixtures and other manufacturing sub-fitted trading.	100.00%	100.00%	100.00%	CIC was established on September 1, 1995. As of December 31, 2014 and 2013 and January 1, 2013, CIC's issued capital amounted to \$160,000.
The Company	Tsou Seen Chemical Industries	Manufacture of chemical products and their derivatives of phosphoric	100.00%	100.00%	100.00%	TSCIC was established on June 16, 1998. As of December 31, 2014 and 2013 and January 1, 2013, TSCIC's

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CHINA PETROCHEMICAL DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Name of investors	Name of subsidiaries	Nature of business	Shareholding ratio				Notes
			2014.12.31	2013.12.31	2013.1.1		
The Company	Corporation (TSCIC)	acid and fertilizer storage, transport, purchase, marketing business.					share capital amounted to \$750,000, \$650,000 and \$750,000, respectively.
	CPDC Engineering Co., Ltd. (CPDC EC)	Water treatment works, plumbing works, apparatus and instrument installation work, refrigeration and air conditioning engineering and tank car repair and other services.	100.00%	100.00%	100.00%		CPDC EC was established on May 31, 1999. As of December 31, 2014 and 2013 and January 1, 2013, CPDC EC's TSCIC's share capital amounted to \$150,000, \$150,000 and \$100,000, respectively.
The Company	CPDC Investment (BVI) Co Ltd. (CPDC (BVI))	Holding company	100.00%	100.00%	100.00%		CPDC (BVI) was established on January 9, 1998, registered in the British Virgin Islands, and is an international investment company. As of December 31, 2014 and 2013 and January 1, 2013, CPDC (BVI)'s issued capital amounted to USD\$ 26,580.
The Company	Grand Energy Technology Corporation (GETC)	Energy industry related products manufacturing	- %	- %	100.00%		GETC was established on March 26, 2010. On November 5, 2012, GETC decided to decrease its capital by \$440,567 on November 6. On December 10, 2012, GETC decided to liquidate. Its liquidation completed on June 11, 2013. The proceeds from the liquidation were not collected yet until the report date. As of January 1, 2013, GETC's issued capital amounted to \$9,433.
The Company	Chung Hua Shuang Tzu Hsing Kai Fa Co., Ltd. (CHSTH)	Real estate investment and development	90.87%	90.87%	- %		The Company invested in Chung Hua Shuang Tzu Hsing Kai Fa Co., Ltd. on June 21, 2013. As of December 31, 2014 and 2013, Chung Hua Shuang Tzu Hsing Kai Fa Co., Ltd.'s issued capital amounted to \$2,201,000.
The Company	Unichem Development Limited (UDL)	Holding company	100.00%	100.00%	100.00%		UDL was established on May 20, 2008. As of December 31, 2014 and 2013 and January 1, 2013, UDL's issued capital amounted to US\$78,133, US\$25,508 and US\$1,000, respectively.
The Company	Jiangsu Weiming Petrochemical Corporation (Weiming)	Petrochemical supporting facility construction	1.84%	100.00%	- %		Weiming was founded on May 16, 2013. Capital was invested on December 10, 2013. On June 26, August 21, December 16 and December 26, 2014, Weiming increased its capital in cash of RMB35,000, RMB65,000 RMB100,000 and RMB 120,000 through UDL, respectively, and the capital certification report was completed on June 30, 2014, August 26, December 22 and December 29, 2014. As of December 31, 2014 and 2013, the share capital amounted to RMB326,000 and RMB6,000, respectively.
Unichem Development Limited (UDL)	Jiangsu Weiming Petrochemical Corporation (Weiming)	Petrochemical supporting facility construction	98.16%	- %	- %		Weiming was founded on May 16, 2013. Capital was invested on December 10, 2013. On June 26, August 21, December 16 and December 26, 2014, Weiming increased its capital in cash of

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Name of investors	Name of subsidiaries	Nature of business	Shareholding ratio			Notes
			2014.12.31	2013.12.31	2013.1.1	
						RMB35,000 , RMB65,000 RMB100,000 and RMB 120,000 through UDL, respectively, and the capital certification report was completed on June 30, 2014 , August 26, December 22 and December29, 2014. As of December 31, 2014 and 2013, the share capital amounted to RMB326,000 and RMB6,000, respectively.
Tsou Seen Chemical Industries Corporation	Taivex Therapeutics Inc. (Taivex)	Engaged in biotechnology, pharmaceutical research and development and marketing	79.51%	60.00%	60.00%	On August 18, 2010, TSCIC invested in Taivex. On February 11, 2010, Taivex was established. On January 15, 2014, Taivex increased its capital in cash of \$150,000. As of December 31, 2014 and 2013 and January 1, 2013, Taivex's share capital amounted to \$307,500, \$157,500 and \$157,500, respectively.
Unichem Development Limited(UDL)	Weihua (Rudong) Trade Co., Ltd (Weihua)	Announcement energy products besides petroleum chemical products, electronic chemicals variety of industrial gases, gas mixtures and other manufacturing sub-fitted trading	95.98%	96.00%	- %	On December 10, 2012, Weihua was established by CIC and Weihua's actual paid-in capital amounted to US\$1,000. On December 16, 2013 and January 15, 2014, UDL invested US\$24,000 and RMB 2,856, respectively. In addition, Weihua changed its capital currency from USD to RMB on January 15, 2014. According to the capital certification report issued by local accountant, the ownership percentage in Weihua of UDL was 95.98% as of January 15, 2014. As of December 31, 2014 and 2013 and January 1, 2013, the paid in capital of Weihua amounted to RMB\$156,289, US\$25,000, and US\$1,000, respectively.
Chemax International Corp.	Weihua (Rudong) Trade Co., Ltd (Weihua)	Announcement energy products besides petroleum chemical products, electronic chemicals variety of industrial gases, gas mixtures and other manufacturing sub-fitted trading	4.02%	4.00%	- %	On December 10, 2012, Weihua was established by CIC and Weihua's actual paid-in capital amounted to USD1,000. On December 16, 2013 and January 15, 2014, UDL invested USD24,000 and RMB 2,856, respectively. In addition, Weihua changed its capital currency from USD to RMB on January 15, 2014. According to the capital certification report issued by local accountant, the ownership percentage in Weihua of CIC was 4.02% as of January 15, 2014. As of December 31, 2014 and 2013 and January 1, 2013, the paid in capital of Weihua amounted to RMB156,289, USD25,000, and USD1,000, respectively.
Chemax International Corp.	Weiqiang International Trade (Shanghai) Co., Ltd. (Weiqiang)	Announcement energy products besides petroleum chemical products, electronic chemicals variety of industrial gases, gas mixtures and other manufacturing sub-fitted trading.	100.00%	100.00%	- %	Weiqiang was established on May 9, 2013. Capital was invested on April 24, 2013. As of December 31, 2014 and 2013 and January 1, 2013, the paid in capital amounted to US\$4,000.

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Name of investors	Name of subsidiaries	Nature of business	Shareholding ratio			Notes
			2014.12.31	2013.12.31	2013.1.1	
Unichem Development Limited(UDL)	Weida (Zhangzhou) Consultant Service Co., Ltd. (Weida)	Consultancy	100.00%	100.00%	- %	Weida was established on November 26, 2012. The capital was invested on March 15, 2013. As of December 31, 2014 and 2013, the paid in capital amounted to US\$450.
Unichem Development Limited(UDL)	Zhangzhou Weida Petrochemical Co., Ltd (Weida PC)	Announcement energy products besides petroleum chemical products, electronic chemicals variety of industrial gases, gas mixtures and other manufacturing sub-fitted trading	100.00%	- %	- %	Weida PC was established on December 23, 2014. The capital was invested on December 31, 2014. As of December 31, 2014 , the paid in capital amounted to RMB\$6,000.

3. Subsidiaries not included in the consolidated financial statements

Name of investors	Name of subsidiaries	Nature of business	Shareholding ratio			Notes
			2013.12.31	2012.12.31	2012.1.1	
The Company	Tao Zhu Construction & Development Co., Ltd.	Commissioned to create a vendor to build the housing, commercial buildings and plant rental business, management of land development and playgrounds and other related business investment	100.00%	100.00%	100.00%	Tao Zhu Construction & Development Co., Ltd. was established on October 11, 1995. As of December 31, 2014 and 2013 and January 1, 2013, its actual paid-in capital amounted to \$100,000 and its total assets represented 0.13%, 0.14% and 0.16%, respectively, of the consolidated total assets.
The Company	Rich Equrties Ltd.	Holding company	100.00%	100.00%	100.00%	Rich Equrties Ltd. was established on March 21, 2007. As of December 31, 2014 and 2013 and January 1, 2013, its actual paid-in capital amounted to USD\$180 and its total assets represented 0.01% of consolidated total assets.
Tao Zhu Construction & Development Co., Ltd.	Da-ying Construction Ltd.	Engineering, construction contracting business	100.00%	100.00%	100.00%	Da-ying Construction Ltd. was established on November 24, 1972. As of December 31, 2014 and 2013 and January 1, 2013, its actual paid-in capital amounted to \$60,000 and its total assets represented 0.03%,0.03% and 0.04% of consolidated total assets, respectively.

d. Foreign currency

1. Foreign currency transaction

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

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Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are remeasured to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are remeasured using the exchange rate at the date of transaction.

Foreign currency differences arising on remeasurement are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income:

- available-for-sale equity investment;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

2. Foreign operations

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

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

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

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e. Classification of current and non-current assets and liabilities

An asset is classified as current when:

1. It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

1. It is expected to be settled during the in its normal operating cycle;
2. It is held primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period (even if under the condition that it completes long-term re-financing or reschedules repayment agreement in the period from the balance sheet date to the date the financial statements are approved); or
4. It does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

All other liabilities are classified as non-current.

f. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash at the known amounts and subject to insignificant risk of value changes. Time deposits that fit the definition above and are used by the Group in the management of its short-term commitments are comprised in cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Company, are listed in cash and cash equivalents in statements of cash flows.

g. Financial instruments

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

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1. Financial assets

The Consolidated Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

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

A financial asset is classified in this category if it is held-for-trading or is designated as such on initial recognition. Financial assets classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Consolidated Company designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- A. Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- B. Performance of the financial asset is evaluated on a fair value basis.
- C. Hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial assets classified under this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss, under other income of non-operating income and expense. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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

(2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary financial assets, are recognized in other comprehensive income and presented in the unrealized gains or losses on available for sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, under other gains and losses of non-operating income and expense. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

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

Dividend income is recognized in profit or loss on the date that the Consolidated Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income account in statements of comprehensive income.

Interest income from investment in bond security is recognized in profit or loss, under other income of non-operating income and expenses.

(3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. At initial recognition, these assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, under other income.

(4) Impairment of financial assets

The impairment loss of financial assets not measured at fair value is assessed on the report date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

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

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Consolidated Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

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An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. Such impairment loss is not reversible in subsequent periods.

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

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

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

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Bad debt losses and recoveries of receivables are recognized in profit or loss as administrative expense. Impairment losses and recoveries of financial assets other than receivables are recognized in profit or loss under non-operating revenues and expenses.

(5) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses from available for sale financial assets is recognized in profit or loss, under other income of non-operating income and expenses.

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On partial derecognition of a financial assets, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account as unrealized gains or losses from available for sale financial assets is reclassified to profit or loss, under other gains and losses of non-operating income and expenses.

2. Financial liabilities and equity instruments

(1) Classification of debt or equity instruments

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

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized based on amount of consideration received less the direct issuance cost.

Compound financial instruments issued by the Consolidated Company that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss, under other gains and losses of non-operating income and expenses.
On conversion, the financial liability is reclassified to equity, and no gain or loss is recognised.

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

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. A financial liability is classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Consolidated Company designates financial liabilities, other than the ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

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- A. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- B. Performance of the financial liabilities is evaluated on a fair value basis;
- C. A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognised in profit or loss, under other gains and losses of non-operating income and expenses.

Financial liabilities at fair value through profit or loss are measured at cost if it is a short sale of unquoted equity investment whose fair value cannot be reliably measured and that the short seller is obligated to deliver the equity instrument.

The Consolidated Company issues and designates financial guarantee contracts and loan commitments as at fair value through profit or loss. Any gains and losses are recognised in profit or loss, under other gains and losses of non-operating income and expenses.

(3) Other financial liabilities

At initial recognition, financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, under other gains and losses of non-operating income and expenses..

(4) Derecognition of financial liabilities

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

(5) Offsetting of financial assets and liabilities

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

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h. Inventories

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

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

i. Investments in associates

Associates are those entities in which the Consolidated Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

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

The Consolidated Company's share of the profit or loss and other comprehensive income of investments accounted for using equity method are included, after adjustments to align the said investees' accounting policies with those of the Consolidated Company, in the consolidated financial statements from the date that significant influence commences until the date that significant influence ceases.

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

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

j. Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently via cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life and residual value which are the same as those adopted for property, plant and equipment.

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Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs. Investment property is subsequently measured at fair value, with any change therein recognized in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

k. Property, plant and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss account as other gains and losses.

2. Reclassification to investment property

An item of property, plant and equipment is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

3. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic

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benefits associated with the expenditure will flow to the Consolidated Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

4. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and is allocated using the straight line method over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

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

Land improvement	2~10 years
Buildings and constructions	2~60 years
Machine equipment	2~17 years
Transportation equipment	2~5 years
Other equipment	2~13 years

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

1. Intangible assets

1. Goodwill

(1) Initial recognition

The goodwill generated from the Consolidated Company is accounted for as an intangible asset. Please refer to Note 6 j. for details of the accounting policy on the initial recognition of goodwill.

(2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment. In terms of investment under equity method, the carrying amount of goodwill is included in the investment amount. In addition, the impairment loss of such investment is not distributed to goodwill or any asset and is recognized as part of the carrying amount of the investment.

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2. Research & Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from development phase are recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they are recognized in profit or loss as incurred.

- (1) The technical feasibility of the intangible asset is completed so that it will be available for use or sale;
- (2) It intends to complete the intangible asset and use or sell it;
- (3) It has ability to use or sell the intangible asset;
- (4) The intangible asset is more likely than not generate future economic benefits;
- (5) It has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (6) The expenditure attributable to the intangible asset during its development can be measured reliably.

3. Other intangible asset

Other intangible assets that are acquired by the Consolidated Company are measured at cost less accumulated amortization and any accumulated impairment losses.

4. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

5. Amortization

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual values.

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Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date that they are made available for use. The estimated useful lives for the current and comparative periods are as follows:

Technology	5~13 years
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The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually at each financial year-end. Such change is accounted for as a change in accounting estimate.

m. Impairment — non-derivative financial assets

The Consolidated Company evaluates the impairment losses and estimates the recoverable amounts of the impaired assets on each reporting date in terms of inventories, deferred tax assets, assets arising from employee benefits and non-financial assets other than non-current assets held for sale. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Consolidated Company determines the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss is recognized immediately in profit or loss.

The Consolidated Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Consolidated Company estimates the recoverable amount of that asset.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the Consolidated Company recognizes the impairment loss and the impairment loss is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

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n. Provisions

A provision is recognized if, as a result of a past event, the Consolidated Company has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

1. Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

2. Site dismantling

The estimated obligation on the dismantling, relocation or restoration of property, plant and equipment is recognized as decommissioning cost and liability of property, plant and equipment. The relevant costs of assets are adjusted by subsequent price variation for dismantling and restoration. Depreciation is provided per the remaining useful life of the adjusted cost.

3. Site restoration

In accordance with the Consolidated Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognized when the land is contaminated.

o. Preferred shares liability

Compound financial instruments issued by the Consolidated Company comprise preferred share capital whose components are classified as a financial liability and an equity on initial recognition based on the substance of the agreements and the definition of financial liabilities and equity instruments. The preferred shares contain an option which allows the holders of preferred shares to exchange fixed amount of Consolidated Company's equity instrument for fixed amount of cash or other financial assets; therefore, the option is accounted for as an equity instrument.

The liability component of a compound financial instrument is recognized initially at fair value of a similar liability that does not have an equity conversion option. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method before the conversion date or maturity date.

Effective interest method refers to the method which determines the amortized costs of debt instruments and attributes interests to relevant periods. Effective interest rate refers to the rate which is applied to discount future cash inflows or outflows (including all the charges, reward points, transaction cost and all other premium and discount which form an integral part of the overall effective interest rate) and the discounted amount will equal to the initial carrying amount.

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p. Revenue

1. Goods sold

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For an export transaction, usually it is via free on board shipping point, and the risk transfer occurs upon loading the goods onto the relevant carrier at the port; however, for an import transaction, risk transfer occurs upon receipt by the customer.

2. Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

3. Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract cost; survey of work performed; or completion of a physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

4. Commissions

When the Consolidated Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Consolidated Company, and is recognized in proportion to the stage of completion of the transaction.

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5. Rental income

Rental income from investment property is recognized in non-operating incomes and expenses on a straight-line basis over the lease term.

q. Employee benefits

1. Defined contribution plans

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

2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Consolidated Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on (market yields of high quality corporate bonds or government bonds) bonds that have maturity dates approximating the terms of the Consolidated Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses at January 1, 2012, the date of transition to FSC accredited IFRS, were recognized in retained earnings. The Consolidated Company recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income.

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The Consolidated Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that had not previously been recognized.

3. Short term employee benefits

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

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

r. Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations, or are recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date, or the actual legislated tax rate; as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

1. Assets and liabilities that are initially recognized but not related to the business combination, and have no effect on net income or taxable gains (losses) during the transaction.
2. Temporary differences arising from equity investments on subsidiaries or joint ventures, where there is a high probability that such temporary differences will not reverse.
3. Initial recognition of goodwill.

Deferred taxes are measured based on the statutory tax rate on the reporting date; or the actual legislated tax rate, during the year of expected asset realization or debt liquidation.

Deferred tax assets and liabilities may be offset against each other if, and only if, the following criteria are met:

1. if the Consolidated Company has the legal right to settle tax assets and liabilities on a net basis; and

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2. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

- (1) levied by the same taxing authority; or
- (2) levied by different taxing authorities, but where each such authority intend to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation; or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry-forward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits and deductible temporary differences are also re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized.

s. Business combination

For those business acquisitions occurring after 1 January 2012 (inclusive), goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date), amount of any non-controlling interest in the acquiree, and net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (generally at fair value). If the residual is a negative balance, the Consolidated Company re-assesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognizes a gain on a bargain purchase thereafter. If the business combination is achieved in stages, the Consolidated Company measures any non-controlling equity interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In a business combination achieved in stages, the Consolidated Company re-measures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Consolidated Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income is recognized on the same basis as would be required if the Consolidated Company had disposed directly of the previously held equity interest. If the disposal of the equity interest requires a reclassification to profit or loss, such an amount is reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Company reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Consolidated Company retrospectively adjusts the provisional amounts recognized at the acquisition date, or recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed one year from the acquisition date.

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All transaction costs relating to business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

t. Earnings per share

The Consolidated Company discloses the Company basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as Convertible Bonds and employee bonus.

u. Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Company). Operating results of the operating segment are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

v. Reasons and effects of changes in accounting principles

On December 31, 2013, FSC amended the Regulations Governing the Preparation of Financial Reports by Securities Issuers that permits an entity to choose a fair value model to the measurement subsequent to initial recognition of investment properties. The assessment by the management of the company, to enable the company balance sheet closer to the facts, serves as a reflection of the market value of investment property, fully demonstrates the actual proportion of the financial structure of the financial statements in order to facilitate long-term financial planning for the future development of the company, and in accordance with IFRSs evaluate trends, the Company is willing to change the measurement subsequent to initial recognition of investment properties from a cost model to fair value model starting 2014.

The accounting policy is applied retrospectively in accordance with IAS8 "Accounting Policies, Changes in Accounting Estimates and Errors". Revised disclosures and impacts of accounting policies changes are as follows:

Consolidated Balance Sheets-December 31,2012	Before Restated	Impacts of accounting policies change	Restated
Investment property, net	\$ 6,403,256	18,735,619	25,138,875
Deferred tax liabilities	3,874,073	4,217,027	8,091,100
Retained earnings			
Legal reserve	1,681,232	-	1,681,232
Special reserve	4,194,973	-	4,194,973
Un-appropriated retained earnings	6,263,342	14,518,592	20,781,934

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Consolidated Balance Sheets-December 31,2013	Before Restated	Impacts of accounting policies change	Restated
Investment property, net	\$ 6,402,931	25,439,964	31,842,895
Deferred tax liabilities	3,873,086	4,215,730	8,088,816
Retained earnings			
Legal reserve	1,823,040	-	1,823,040
Special reserve	8,430,049	21,224,233	29,654,282
Un-appropriated retained earnings	(760,313)	-	(760,313)

For the Years Ended December 31				
	2014		2013	
Consolidated Statements of Comprehensive Income	reported amounts	Before Restated	Impacts of accounting policies change	Restated
Gain arising from adjusting fair value of investment property	\$ 5,172,872	\$ -	6,705,316	6,705,316
Depreciation and Amortization expense	2,071,370	1,945,733	(325)	1,945,408
Basic earnings per share	0.13	(0.62)	2.89	2.27
Diluted earnings per share	0.13	(0.62)	2.89	2.27

5. MAJOR SOURCES OF SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGMENTS AND ESTIMATION UNCERTAINTY

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

The management continuously reviews the estimates and basic assumptions. Changes in accounting estimates are recognized in the period of change.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes relating to the fair value of financial instrument, fair value of Investment property, realizability of deferred tax assets, measurement of defined benefit obligation and the estimate of liability reserve and contingent liability.

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6. EXPLANATION TO SIGNIFICANT ACCOUNTS

a. Cash and cash equivalents

	December 31, 2014	December 31, 2013	January 1, 2013
Cash on hand	\$ 1,322	1,513	1,360
Checking and demand deposits	3,828,875	3,554,720	383,044
Time deposits	4,832,042	1,940,253	2,958,020
Cash equivalents	1,749,951	2,690,059	1,970,368
Cash and cash equivalents	<u>\$ 10,412,190</u>	<u>8,186,545</u>	<u>5,312,792</u>

Time deposits which are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes, that are readily convertible to cash at the known amounts and subject to insignificant risk of value changes, are reported as cash equivalents.

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

b. Financial assets

1. The components of financial assets were as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Financial assets at fair value through profit or loss – current			
Financial assets held for trading – current	\$ 108,105	553,905	167,194
Financial assets reported at fair value through profit or loss – current	834,666	534,515	439,721
Sub-total	<u>942,771</u>	<u>1,088,420</u>	<u>606,915</u>
Available-for-sale financial assets – current	185,589	-	-
Available-for-sale financial assets – non-current	1,347,769	1,592,009	1,246,206
Financial assets carried at cost – non-current	1,173,907	1,285,419	687,934
Total	<u>\$ 3,650,036</u>	<u>3,965,848</u>	<u>2,541,055</u>
Financial liabilities at fair value through profit or loss – non-current	<u>\$ 706,549</u>	<u>-</u>	<u>-</u>

In 2008, a subsidiary, Tsou Seen Chemical Industries Corporation (TSCIC) has acquired for \$160,000 the 16,000 private common shares of Taiwan Tea Corporation (TTC). On 10 June, 2009, the board of directors of TTC has approved to decrease TTC's capital to cover its accumulated deficit so that TSCIC's investment in these private common shares has been reduced to \$141,512, divided into 10,640 private common shares. On 24 July 2014, the Board of Directors of TSCIC approved the reclassification of the subsidiary's investment of \$141,512 in TTC, from financial assets carried at cost – non-current to financial assets at fair value through profit or loss – current. Such financial assets held for

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trading are re-measured at fair value so that their carrying amount increased to \$194,712 the re-measurement resulted in unrealized gain of \$53,200, which was charged to other comprehensive income and presented in the fair value reserve in equity as of December 31, 2014.

The convertible bond issued by the Company was treated as a compound financial instrument, for which the liability and equity components were accounted for separately. The call and put option embedded in bonds payable were separated from bonds payable, and were recognized as “Financial liabilities at fair value through profit or loss.” For the years ended December 31, 2014 and 2013, the company recognized a gain (loss) on financial liability reported at fair value through loss of \$507,171 and \$0, respectively.

Please refer to Note 6 u. for the gain or loss on financial assets recognized at fair value through profit or loss and other comprehensive income.

As of December 31, 2014, and 2013 and January 1, 2013, the Consolidated Company provided as collateral portion of its financial assets, please refer to Note 8 for details of the related assets pledged as collateral.

2. Sensitivity analysis — equity price risk:

If the equity price changes, and if it is based on the same basis for both years and assumes that all other variables remain the same, the impact to comprehensive income will be as follows:

	For the Years Ended December 31,			
	2014		2013	
	After-tax other comprehensive income	After-tax Profit (loss)	After-tax other comprehensive income	After-tax Profit (loss)
Equity price at reporting date				
Increase 1%	\$ 15,334	9,482	15,920	10,884
Decrease 1%	\$ (15,334)	(9,482)	(15,920)	(10,884)

c. Notes and accounts receivable, net

	December 31, 2014	December 31, 2013	January 1, 2013
Notes receivable	\$ 28,721	5,922	7,380
Accounts receivable	2,834,978	2,679,978	3,203,090
Other receivables	110,036	53,315	811,756
Less : Allowance for doubtful receivables	(462,316)	(333,195)	(333,085)
Net book value	<u>\$ 3,511,419</u>	<u>2,406,020</u>	<u>3,689,141</u>

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Movements of the allowance for doubtful receivables for the years ended December 31, 2014 and 2013 were as follows:

	Individually Assessed impairment	Collectively assessed impairment	Total
Balance – January 1, 2014	\$ 237,590	95,605	333,195
Impairment loss of accounts receivable	129,785	-	129,785
Reversal of impairment loss	-	(664)	(664)
Balance – December 31, 2014	\$ 367,375	94,941	462,316
Balance – January 1, 2013	\$ 237,590	95,495	333,085
Impairment loss of accounts receivable	-	110	110
Balance – December 31, 2013	\$ 237,590	95,605	333,195

The consolidated subsidiaries, Weihua (Rudong) Trade Co., Ltd. and Weiqiang International Trade (Shanghai) Co., Ltd., filed civil complaints to claim for the due payment of the contract arrears from Shanghai Tongye Coal Chemical Group Co. Ltd. Both consolidated subsidiaries have recognized the impairment of account receivable for the losses of RMB19,274 and RMB 6,213.

Please refer to Note 9 p. for the further details relating to litigation and evaluation.

d. Inventories

	December 31, 2014	December 31, 2013	January 1, 2013
Finished goods	\$ 440,118	551,456	584,398
Work-in-process	492,634	572,583	510,714
Raw materials	1,013,252	1,397,184	1,551,737
Fuel	44,243	41,174	49,805
Merchandise inventory	179,389	145,730	84,251
Total	\$ 2,169,636	2,708,127	2,780,905

For the years ended December 31, 2014 and 2013, the components of cost of goods sold were as follows:

	For the Years Ended December 31	
	2014	2013
Cost of goods sold	\$ 32,717,305	34,992,326
(Reversal of) loss on inventory market price decline and obsolescence	54,242	(67,732)
Loss on physical inventories, net	41,941	10,396
Unallocated fixed production overheads from idle facilities	1,198,936	935,780
Revenue from sale of scraps	(236)	(244)
Loss on inventory disposal	-	551
Net amount	\$ 34,012,188	35,871,077

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As of December 31, 2014 and 2013, and January 1, 2013, the aforesaid inventories were not pledged as collateral.

e. Investments accounted for using equity method

1. The Consolidated Company's financial information for equity-accounted investees at reporting date was as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Subsidiaries	\$ 87,719	87,568	87,586
Associates	2,597,340	2,416,375	2,782,193
Total	<u>\$ 2,685,059</u>	<u>2,503,943</u>	<u>2,869,779</u>

2. Share of profit (loss) of subsidiaries and associates for the years ended December 31, 2014 and 2013 was as follows:

	<u>For the Years Ended December 31</u>	
	2014	2013
Share of profit (loss) of subsidiaries and associates	<u>\$ 561,268</u>	<u>367,613</u>

3. The financial information of subsidiaries and associates in which the Consolidated Company has equity investments was as follows (before adjustment for the Consolidated Company's proportionate share):

	December 31, 2014	December 31, 2013	January 1, 2013
Total assets	\$ 8,334,113	7,647,684	8,732,099
Total liabilities	(2,275,241)	(2,005,354)	(2,184,507)
	<u>\$ 6,058,872</u>	<u>5,642,330</u>	<u>6,547,592</u>

	<u>For the Years Ended December 31</u>	
	2014	2013
Revenue	<u>\$ 11,106,442</u>	<u>10,059,850</u>
Net income	<u>\$ 1,366,896</u>	<u>936,502</u>

The Consolidated Company does not guarantee any contingent liabilities of an associate jointly with other investors. Likewise, the Consolidated Company does not guarantee alone any other contingent liabilities of an associate.

There are no significant restrictions to the ability of associates to transfer capital to the Company.

4. The director appointed by the Company to the board of Praxair Chemax Semiconductor Materials Co., Ltd (PCSM), an equity-accounted investee of the Company, was elected unanimously by the board as the chairman at the PCSM's board meeting on January 30, 2012. However, the newly elected COB was unable to exercise his power because the joint venture shareholder, Praxair Inc., disavowed the result of the election shortly afterwards. Moreover, PCSM's supervisor assigned by the Company was obstructed from

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examining PCSM's accounting books under the authority given by Taiwan's Company Act. On behalf of PCSM, the newly elected COB and supervisor filed both civil and criminal actions of "Submission of accounting books", "Returning of company's seals" and "Embezzlement and breach of fiduciary duty" against PCSM's vice COB and general manager appointed by Praxair Inc. PCSM's vice COB claimed that she had legally delegated the power of COB and filed a civil complaint, "Non-existence of PCSM's chairmanship" against the new COB and requested the court to dissolve PCSM under the Joint-venture agreement. PCSM's supervisor assigned by Praxair Inc. also illegally convened the extraordinary shareholders' meetings in the year of 2013 and 2014 for the purpose of dissolving PCSM. Therefore, the Company filed civil action, "annulment of the Resolution in illegal extraordinary shareholders' meeting. Up to now, the lost defendants in the civil case, "Submission of accounting books" filed by PCSM's supervisor assigned by the Company appealed to the Supreme Court. The civil filing "Order of Dissolution", claimant Praxair Inc. was rejected by the both district court and interlocutory appeal court and now the decision is final. The civil complaint "Non-existence of PCSM's chairmanship" filed by PCSM's vice COB against the new COB was overruled by Taiwan high court and now is appealed to the Supreme Court by PCSM's vice COB. Other lawsuits are still on trial in district court and prosecution office. In consideration of the best interest of the shareholders, the Company is striving to find the best solutions to resolve all conflicts mentioned above among Praxair, PCSM and the Company.

5. Collateral

As of December 31, 2014 and 2013 and January 1, 2013 the consolidated Company provided as collateral portion of its investments in aforesaid equity-accounted investees, please refer to Note 8 for details of the related assets pledged as collateral.

g. Acquisition of subsidiaries

On June 21, 2013, the Company obtained control of Chung Hua Shuang Tzu Hsing Kai Fa Co., Ltd. by acquiring 90.87% of its equity shares. The aforesaid investee company is a real estate investment company.

The consideration transferred amounted to \$2,000,000, and the fair value of identifiable assets and liabilities accounted for on acquisition date were as follows:

Cash and cash equivalents	\$ 2,210,561
Available-for-sale financial assets — current	168,040
Other current assets	67
Other current liabilities	(48)
Non-current preferred share liabilities	(162,157)
Fair value of net identifiable assets	<u><u>\$ 2,216,463</u></u>

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Gain on bargain purchase was calculated as follows:

Consideration transferred	\$ 2,000,000
Non-controlling interest (measured at the NCI's proportionate share of net assets of the acquiree)	202,412
Fair value of net identifiable assets	(2,216,463)
Gain on bargain purchase	<u><u>\$ (14,051)</u></u>

The counseling and assessment expenses and verification costs incurred in this business acquisition amounted to \$5,401 were recognized as administration expenses in the consolidated statement of comprehensive income.

h. Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Consolidated Company for the years ended December 31, 2014 and 2013 were as follows:

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Other facilities	Construction in progress	Accumulated impairment	Total
Cost or deemed cost:									
Balance as of January 1, 2014	\$ 5,730,777	266,699	2,350,498	38,617,868	66,260	186,604	1,696,615	-	48,915,321
Additions	-	1,190	-	1,100	4,177	1,045	1,447,886	-	1,455,398
Disposal	-	-	(1,237)	(412,152)	(5,178)	(15,904)	-	-	(434,471)
Reclassification	-	-	4,876	2,284,155	1,257	2,530	(2,292,818)	-	-
Effect of movements in exchange rate	-	-	-	54	352	32	11,328	-	11,766
Balance as of December 31, 2014	<u>\$ 5,730,777</u>	<u>267,889</u>	<u>2,354,137</u>	<u>40,491,025</u>	<u>66,868</u>	<u>174,307</u>	<u>863,011</u>	<u>-</u>	<u>49,948,014</u>
Balance as of January 1, 2013	\$ 5,730,777	265,798	2,110,835	36,256,623	61,903	170,968	3,456,674	-	48,053,578
Additions	-	-	-	1,049	7,517	1,526	1,316,444	-	1,326,572
Disposals	-	-	(7,317)	(443,947)	(5,754)	(7,938)	-	-	(464,956)
Reclassification	-	901	246,980	2,804,143	2,471	22,008	(3,076,503)	-	-
Effect of movements in exchange rate	-	-	-	-	123	4	-	-	127
Balance as of December 31, 2013	<u>\$ 5,730,777</u>	<u>266,699</u>	<u>2,350,498</u>	<u>38,617,868</u>	<u>66,260</u>	<u>186,604</u>	<u>1,696,615</u>	<u>-</u>	<u>48,915,321</u>
Depreciation and impairment loss:									
Balance as of January 1, 2014	\$ -	195,675	810,418	27,993,607	46,471	128,833	-	943,243	30,118,247
Depreciation for the period	-	10,902	68,865	1,969,081	4,912	10,089	-	-	2,063,849
Disposals	-	-	(971)	(407,611)	(5,170)	(15,599)	-	-	(429,351)
Impairment loss	-	-	-	-	-	-	-	1,214,750	1,214,750
Effect of movements in exchange rate	-	-	-	14	88	10	-	-	112
Balance as of December 31, 2014	<u>\$ -</u>	<u>206,577</u>	<u>878,312</u>	<u>29,555,091</u>	<u>46,301</u>	<u>123,333</u>	<u>-</u>	<u>2,157,993</u>	<u>32,967,607</u>
Balance as of January 1, 2013	\$ -	189,780	751,603	26,578,511	47,827	120,543	-	943,243	28,631,507
Depreciation for the period	-	5,895	66,132	1,844,638	3,682	15,195	-	-	1,935,542
Disposals	-	-	(7,317)	(429,542)	(5,044)	(6,905)	-	-	(448,808)
Effect of movements in exchange rate	-	-	-	-	6	-	-	-	6
Balance as of December 31, 2013	<u>\$ -</u>	<u>195,675</u>	<u>810,418</u>	<u>27,993,607</u>	<u>46,471</u>	<u>128,833</u>	<u>-</u>	<u>943,243</u>	<u>30,118,247</u>
Carrying amounts:									
Balance as of December 31, 2014	<u>\$ 5,730,777</u>	<u>61,312</u>	<u>1,475,825</u>	<u>10,935,934</u>	<u>20,567</u>	<u>50,974</u>	<u>863,011</u>	<u>(2,157,993)</u>	<u>16,980,407</u>
Balance as of January 1, 2013	<u>\$ 5,730,776</u>	<u>76,018</u>	<u>1,359,232</u>	<u>9,678,113</u>	<u>14,076</u>	<u>50,425</u>	<u>3,456,674</u>	<u>(943,243)</u>	<u>19,422,071</u>
Balance as of December 31, 2013	<u>\$ 5,730,777</u>	<u>71,024</u>	<u>1,540,080</u>	<u>10,624,261</u>	<u>19,789</u>	<u>57,771</u>	<u>1,696,615</u>	<u>(943,243)</u>	<u>18,797,074</u>

Please refer to Note 6 u. for the amount of capitalized borrowing costs.

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As of December 31, 2014 and 2013 and January 1, 2013 the Consolidated Company provided as collateral portion of its property, plant and equipment, please refer to Note 8 for details of the related assets pledged as collateral.

On November 26, 2013, the plan to invest in China was approved during the meeting of the board of directors of the Company. On March 25, 2014, the Investment Commission, MOEA approved the investment of the Company in JIANGSU WEIMING Petrochemical Corporation in China with a total amount of RMB1,212,000 (equivalent to \$5,900,000) mainly to establish a manufacturing operations for petrochemical products (including hydrorefining crude benzol, cyclohexanone and nylon 6, etc).

i. Investment property

	Land	Buildings	Total
Cost or deemed cost:			
Balance as of January 1, 2014	\$ 31,833,786	9,109	31,842,895
Net gains and losses due to fair value adjustments	5,167,894	(1,465)	5,166,429
Balance as of December 31, 2014	<u>\$ 37,001,680</u>	<u>7,644</u>	<u>37,009,324</u>
Balance as of January 1, 2013	\$ 25,127,612	11,263	25,138,875
Net gains and losses due to fair value adjustments	6,706,174	(2,154)	6,704,020
Balance as of December 31, 2013	<u>\$ 31,833,786</u>	<u>9,109</u>	<u>31,842,895</u>
Carrying amounts:			
Balance as of December 31, 2014	<u>\$ 37,001,680</u>	<u>7,644</u>	<u>37,009,324</u>
Balance as of January 1, 2013	<u>\$ 25,127,612</u>	<u>11,263</u>	<u>25,138,875</u>
Balance as of December 31, 2013	<u>\$ 31,833,786</u>	<u>9,109</u>	<u>31,842,895</u>

1. Evaluation by income approach

The Consolidated Company has investment property evaluation by income approach, that important contract terms and evaluation information as follows:

December 31, 2014

Subject	Qianjin Dist., Kaohsiung City
Important contract terms	None.
The rental market round investment property	\$350 ~ \$450(NT dollars)
The rental market of similar subject	\$344 ~ \$400(NT dollars)
The current situation	Unused
Past earnings	\$0 ~ \$0
Income capitalization rate	3.300%
Discount rate	2.625%
Outsourcing or self-valuation	Outsourcing
Evaluation office	Euro-Asia Real Estate Appraisers Firm International Assets Service Co., Ltd
Appraiser name	Shu-hung, Lin
Evaluation day	November 18, 2014
Outsourcing fair value	\$7,395

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December 31, 2013

Subject	Qianjin Dist., Kaohsiung City
Important contract terms	None.
The rental market round investment property	\$350 ~ \$450(NT dollars)
The rental market of similar subject	\$336 ~ \$393(NT dollars)
The current situation	Unused
Past earnings	\$0 ~ \$0
Income capitalization rate	3.500%
Discount rate	2.625%
Outsourcing or self-valuation	Outsourcing
Evaluation office	Euro-Asia Real Estate Appraisers Firm International Assets Service Co., Ltd
Appraiser name	Shu-hung, Lin
Evaluation day	November 18, 2014
Outsourcing fair value	\$6,936

January 1, 2013

Subject	Qianjin Dist., Kaohsiung City
Important contract terms	None.
The rental market round investment property	\$350 ~ \$450(NT dollars)
The rental market of similar subject	\$350 ~ \$383(NT dollars)
The current situation	Unused
Past earnings	\$0 ~ \$0
Income capitalization rate	3.500%
Discount rate	2.625%
Outsourcing or self-valuation	Outsourcing
Evaluation office	Euro-Asia Real Estate Appraisers Firm International Assets Service Co., Ltd
Appraiser name	Shu-hung, Lin
Evaluation day	November 18, 2014
Outsourcing fair value	\$6,734

According to Regulations on Real Estate Appraisal No. 28, Income approach refers to those methods such as direct capitalization method and discounted cash flow method evaluate income value. According to the same Appraisal No. 34, Data in respect of potential gross income, total expenses, net operating income, capitalization rate or discount rate, and calculating the income value, over the last three years, of the subject property and comparable properties with same or similar characteristics should be gathered, whose reasonableness should be comprehensively judged to verify the usefulness and reasonableness of those data. The variation of revenue (cash flow in consolidated company) and expense (cash flow out consolidated company) is based on subject's history data, similar or alternative estate data, idle or loss ratio, and potential benefits of current or future. Objective net operating income equals gross income with deduction of total expenses. That is base on the subject to be the most effective used and deliberate data of similar and nearby subject to be the most effective used.

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2. Evaluation by the method of land development analysis

The Consolidated Company has investment property, which is undeveloped so it's cannot evaluation by income approach, evaluation by the method of land development analysis, that evaluation information as follows:

December 31, 2014

Subject	Annan Dist., Tainan City	Qianzhen Dist., Kaohsiung City	Others
Estimating the total sales price	\$ 3,549,934	168,885,082	2,730,962
Rate of return	22%	20% ~ 40%	15% ~ 25%
Capital interest rate	2.04%	4.32% ~9.20%	1.36% ~ 3.18%
Appraiser name	Shu-hung, Lin	Shih-yuan, Chou	Shu-hung, Lin and Meng-wei, Chi
Evaluation day	November 17, 2014	November 18, 2014	November 14, 2014 ~ November 19, 2014
Outsourcing fair value	\$ 3,580,651	31,993,898	1,427,380

December 31, 2013

Subject	Annan Dist., Tainan City	Qianzhen Dist., Kaohsiung City	Others
Estimating the total sales price	\$ 3,582,510	159,499,659	2,442,107
Rate of return	22%	20% ~ 40%	15% ~ 25%
Capital interest rate	2.04%	3.98% ~8.46%	1.37% ~ 3.75%
Appraiser name	Shu-hung, Lin	Shih-yuan, Chou	Shu-hung, Lin and Meng-wei, Chi
Evaluation day	November 17, 2014	November 18, 2014	November 14, 2014 ~ November 19, 2014
Outsourcing fair value	\$ 3,524,654	27,152,598	1,158,707

January 1, 2013

Subject	Annan Dist., Tainan City	Qianzhen Dist., Kaohsiung City	Others
Estimating the total sales price	\$ 3,476,007	147,710,739	2,140,602
Rate of return	22%	20% ~ 40%	15% ~ 25%
Capital interest rate	2.04%	3.98% ~8.46%	1.37% ~ 4.45%
Appraiser name	Shu-hung, Lin	Shih-yuan, Chou	Shu-hung, Lin and Meng-wei, Chi
Evaluation day	November 17, 2014	November 18, 2014	November 14, 2014 ~ November 19, 2014
Outsourcing fair value	\$ 3,511,350	20,723,471	897,320

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Above investment property evaluate outsourcing Euro-Asia Real Estate Appraisers Firm International Assets Service Co., Ltd.

Land development plan include identifying the content of land development, estimating the duration of development needed, investigating individual cost and related expenses, and collecting current market prices and etc., on-site survey and investigating and analyzing the degree of development in the local environment and so on. After assessing general economic factors of the economic prosperity, population and employment situation, interest rates and market supply and demand, etc., no significant abnormal changes. Accountings to that estimate the land from total sales price of properties after completion of development or construction, and then understand the land development analysis value prior to development or construction.

As of December 31, 2014, and 2013, and January 1, 2013 the Consolidated Company provided as collateral portion of its investment property, please refers to Note 8 for details of the related assets pledged as collateral.

The Company leases portion of its land in Tainan and Chiayi to some farmers and fishermen under various lease agreements. The termination of these agreements which may result in the recovery or sale of the land should conform to the provisions of the agreements and the related land regulations. Also, the Company is expecting possible compensation to the farmers, but the possibility of occurrence and the related amounts shall be evaluated. The Company terminated the agreements with some farmers and fishermen, and formally agreed and settled to compensate them for \$50,425.

The An-Shun area located in An-Nan District, Tainan City:

1. The land where the An-Shun Alkali plants located was originally established by Japanese company Kanegafuchi Soda “in 1938 under Japanese Colonial Rule.
2. After retrocession of Taiwan, Taiwan government established a state-run company, Taiwan Alkali Industrial Corporation (TAIC) and operated at the An-Shun Site. From 1964 to 1979, the authority concerned of Taiwan government granted the state-own company start to establish and produce Pentachlorophenol, a type of chemical used as herbicide and disinfectant, and sodium Pentachlorophenol under the state granted investment plan and budget.
3. In early 1982, the plant discontinued its operation under the mandate from Ministry of Economic Affairs, Administration Yuan.
4. In April, 1983, TAIC was merged with the state-run China Petrochemical Development Corp., a state-own subsidiary of China Petroleum Company under the mandate from Ministry of Economic Affairs, Administration Yuan. CPDC had to receive all abundant factories and the used land from An-Shun area of TAIC.
5. Following the said merger that the Company received the government’s mandate, the Company itself has never had any act of production, operation, development, use and neither initiated any other to cause pollution. Partial area has been detected dioxin and mercury contamination in soil. In April 2002 and March , 2004 , the Tainan City Government and the Environment Protection Administration, Executive Yuan publicly announced some partial sections are 「 Soil Polluted Control Site 」 and 「 Soil Contaminated Sites 」 under Soil and Groundwater Pollution Remediation Act enacted in the year of 2000.

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6. Tainan City Government and related government authority cited Article 75 of Taiwan's Company Law in notifying that the Company as the surviving company after the mandatory merger with TAIC should be responsible for rights and obligations of TAIC, and so are the treatment projects and remediation plan. As the Company never used the land after the mandatory merger from Ministry of Economic Affairs, Administration Yuan (MOEA), the Company still has filed series of legal action to object to the government perception about the "Polluter" and the condition of pollution.

- (1) The Company filed a plea of State Compensation claim to Ministry of Economic Affairs, Administration Yuan (MOEA), but MOEA refused
- (2) In January 2006, the Company filed a complaint against MOEA in the Taiwan Taipei District Court in the amount of \$10,077 to reimbursement for compensation

In February, 2008, the complaint was dismissed by the Supreme Court. Upon the application of Constitution Interpretation by the Company, J.Y. No.714 Interpretation of the Grand Justice was issued in November, 2013, in which Soil and Groundwater Pollution Remediation Act (SGPR Act) does not violate the principle of prohibition against retroactive law, or the principle of proportionality the retroactive rule; however, the holding didn't mention whether the successor of the Polluter entity should be responsible for the treatment projects and remediation plan under SGPR Act or not was not in the scope of the regulation. The Company has filed series of complaint on those issues according to this Constitutional Interpretation.

7. (1) On February 27, 2008, the Tainan City Government submitted an order with the docket # Nan Si Fu Huan Sui Zin 09722004430, demanding the Company to pay \$88,786 to the Tainan City Government and Environmental Protection Administration of the Executive Yuan to reimbursement for investigation assessment measures and necessary response measures. If the Company failed to pay fees by the deadline, it would be transferred to the court for compulsory execution with, an overdue fine, which shall be assessed at a rate of 100% of the overdue amount. Based on the accounting principle of conservatism, the Company, as a concerned landowner recorded this fine as a non-operating cost in 2007 and paid the said fine by the end of July 2008.
- (2) In July 2008, the Company filed a complaint for administrative remedy in the Kaohsiung High Administrative Court because it objected to the government perception about the penalty and the actual status of pollution. In January 2010, the Kaohsiung High Administrative Court demanded the Company to pay \$88,430. In March 2010, the Company appealed to the Supreme Administrative Court. In September 2011, the Supreme Administrative Court remanded this Company's appeal back to the Kaohsiung Administrative High Court. Thereafter, the Kaohsiung Administrative High Court had decided to reduce the penalty to \$76,066. In December 2013, both parties appealed for the decision disfavoring to them. This case is still examined in the Supreme Administrative Court. On August 11, 2014, the Company received a refund of \$356 from Tainan City Government.
8. Both in January and February of 2008, the Tainan City Government submitted an order with the docket # Nan Si Fu Huan Sui Zin 09722000130, requiring the Company to submit a remediation plan for soil and underground water at Soil underground water remediation site of An-Shun site.
- (1) To comply with the Law, The Company submitted a remediation plan proposal to the Tainan City Government and accrued relevant remediation plan for approval before June 30, 2008. As the Company's project was officially approved in May, 2009 and

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the amendment was approved on July 2, 2012, the Company has implemented the plan after approval and finished the first stage in September, 2014. The following 10 years, the second remediation stage is launching. The Company submitted the second amendment of the remediation plan to the Tainan City Government for approval. On December 24, 2014, Tainan City Government notified the Company its approval and now is under public tender reviewing.

- (2) The aforementioned remediation costs of the Company were evaluated and recognized based on the situation in the year of 2008 for the total amount of \$1,647,200. Until September, 2014, the Company has spent \$16Millionsfor the first stage. The estimate cost based on the situation of December, 2014 is \$1,356,000 for the subsequence of the second remediation stage.
Further evaluation and adjustment should be made thereon if there will be any change in internal or external factors that will cause a significant difference in the overall remediation costs.
- (3) As the Tainan City Government determined that the Company's remediation plan proposal did not conform to the Soil and Groundwater Pollution Remediation Act, the Company is requested to submit a revised project plan before October 18, 2008 and pay the administrative penalty of \$1,000 on September 30, 2008. The Company paid the abovementioned penalty and also filed an administrative complaint against the Tainan City Government. Also, the Company submitted a revised remediation plan according to the conclusion in the official plan examining committee on October 17, 2008, to the Tainan City Government. The revised remediation project proposal was approved in May 2009. The administrative complaint was dismissed by Kaohsiung Administrative High Court and Supreme Administrative Court and the case was closed in October 2011.
- (4) In July, 2010, Tainan City Government ordered the Company to pay a fine of \$200 before August, 2010 under the reason that the Company did not implement the remediation project and violated the Soil and Groundwater Pollution Remediation Act. The Company disagree with the administrative order, thus filed an administrative complaint in September, 2010. In May, 2013, the complaint was dismissed by the court.
- (5) In January, 2012, Tainan City Government made three orders that the Company had to pay a fine of \$200 separately as the Company allegedly did not implement the remediation project and violated the Soil and Groundwater Pollution Remediation Act. In August 2012, the Company filed a complaint in the Kaohsiung High Administrative Court. In February, 2014, the Kaohsiung High Administrative Court made a decision to repeal the two orders in the fine of \$200 2-hour environment seminar and related administrative order being imposed on the Company by Tainan City Government. Both the Company and the Tainan City Government appealed to the Supreme Administrative Court. In June 2013, the Supreme Administrative Court dismissed both parties' appeal. This case was closed. On September 10, 2014, the Tainan City Government has refunded the amount of penalty earlier paid by the Company. Such refund has been recorded in the Company's books.
- (6) On May 28, 2012, Tainan City Government issued an administrative order to require the Company to install the fences in buffer zones and erect notification sign, and submit buffer zones management plan within certain period according to Soil and Ground water Pollution Remediation Act. In June 2012, the Company filed a petition for administrative remedy with the petition review committee of the Tainan City Government. As the aforesaid appeal was rejected by such petition review committee, the Company filed an administrative complaint with the Kaohsiung High

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- Administrative Court. In April 2014, this complaint was dismissed by Kaohsiung High Administrative Court. On April 29, 2014, the Company filed an appeal to the Supreme Administrative Court which is still on trial.
- (7) On February 12, 2014, Tainan City Government ordered the Company to pay a fine of \$200 before March 24, 2014 with the reason that the Company did not implement the remediation project and violated the Soil and Groundwater Pollution Remediation Act. In March 2014, the Company filed an administrative appeal which was rejected by the Environmental Protection Administration of Executive Yuan in June, 2014. In July, 2014, the Company filed an administrative lawsuit. The Company filed an administrative complaint in August 2014 and this case is still on trial in the Summary Court of Tainan District Court.
- (8) On June 13, 2014, Tainan City Government ordered the Company to pay a fine of \$1,000 before July 23, 2014 with the reason that the Company did not implement the remediation project and violated the Soil and Groundwater Pollution Remediation Act. In July, 2014, the Company filed a petition for administrative appeal with the on the evidence that facts disputed. This petition is still on trial at the Environmental Protection Administration of Executive Yuan.
- (9) On August 28, 2014, Tainan City Government ordered the Company to pay a fine of \$600 before October 6, 2014 with the reason that the Company allegedly did not complete all the progress behind the schedule defined in the remediation project by March 31, 2014 so that it violated the Soil and Groundwater Pollution Remediation Act. Due to the order based on the evidence that facts disputed, the Company filed an administrative appeal in September, 2014, which was rejected by the Environmental Protection Administration of Executive Yuan. In February 2015, the Company filed a complaint in Kaohsiung High Administrative Court.
- (10) On October 15, 2014, Tainan City Government ordered the Company to pay a fine of \$1,000 before November 20, 2014 and to complete all the progress behind the schedule defined in the remediation project by November 13, 2014. Due to the order based on the evidence that facts disputed, the Company filed an administrative appeal in November, 2014 to the Environmental Protection Administration of Executive Yuan in due course.
- (11) On March 6, 2015, Tainan City Government ordered the Company to pay a fine of \$1,000 before April 7, 2014 and to complete the Thermal Treatment of Contaminated Soil progress behind the schedule defined in the remediation project by March 31, 2015. Due to the order based on the evidence that facts disputed, the Company filed an administrative appeal in April, 2015 to the Environmental Protection Administration of Executive Yuan in due course.
9. (1) Wu et al. who lived in the An-Nan area filed a civil complaint against the Ministry of Economic Affairs, Tainan City Government, Environmental Protection Bureau of Tainan City and the Company for civil and state compensation in 2008 and 2009, respectively. Wu et al. who consumed fish and shellfish grown in nearby water ponds claimed that the TAIC should be liable for their poor health due to the existence of the polluting waste, mercury and dioxin produced by the TAIC from 1942 to 1983. Also, the Ministry of Economic Affairs, the major employer of the Company, who failed to administrate and supervise TAIC should be liable for the compensation. Moreover, Wu et al. claimed that the Tainan City Government and Environmental Protection Bureau of Tainan City which failed to initiate any waste disposal action for the pollution produced by TAIC should also be among those parties who are negligent. Also, they have indicated the Company, which did not take any action to clean and prevent the pollution after the mandate merger with the TAIC by the order

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from the MOEA should also be liable for the compensation. Therefore, Wu et al. requested the defendants including MOEA, Tainan City Government, Environmental Protection Bureau of Tainan City and the Company to pay the medical expenses and compensation for psychological injury in the amount of \$370,800, with imputed interest at the rate of 5 % from the first day the complaint is rendered to the defendant to the day the payments of such expenses are made. On January, 2010, the Tainan District Court dismissed the complaints of 17 out of 299 plaintiffs because failing to pay the court fees and expense.

- (2) In May 2010, Chen formally filed another civil complaint in the Tainan District Court requiring the Company to pay for the expenses for medical and health examination, and compensation for psychological injury in the amount of \$2,300 due to the land pollution and this case is jointly being heard by the Tainan District Court with the above-mentioned case of Wu et al.
10. In December, 2009, the Company filed a civil complaint against the TAIC's parent company, CPC owning TAIC's 100% equity interests, and its CEO, Chu Tung Ching. Under to jointly take action in reducing the dioxin and mercury levels below the statutory standard of An-Shun area and defraying the expenditures for the pollution improvement plan. In September, 2013, this case was dismissed by the Supreme Court. The Company is still seeking other judicial relief.
11. Others
 - (1) On September 1, 2008, the Tainan City Government ordered the Company to pay the expenses of \$8,247 (later corrected into \$8,242) for the relocation of pipes and tubes before August 31, 2009, or would be a compulsory enforcement for late payment by the Administrative Enforcement Agency. In September 2008, the Company paid these expenses and filed an administrative appeal. In September, 2012, this case was dismissed by the Supreme Court.
 - (2) On May 22, 2009, the Tainan City Government ordered the Company to reimburse the expenses of \$17,962 for the remediation project of An-Shun plant before January 31, 2010. The Company accrued the expense by the end of 2009 and paid them in January, 2010. However, the Company filed a complaint for administrative appeal in January, 2010. In March 2011, the complaint was rejected so that the Company filed a complaint for administrative litigation in the Kaohsiung High Administration Court. In September 2012, the court reduced the total payment of expense to \$17,867. After appealing in Supreme Court, it was remanded to Kaohsiung High Administration Court in September, 2013. This case is still on trial in Kaohsiung High Administration Court, On August 11, 2014, the Tainan City Government refunded the partial fine for Revocation already paid by the Company of \$95.
 - (3) In September, 2011, Tainan City Government issued its order in No. 1010242670 to the Company to reimburse the expenses in the amount of \$16,095 for the remediation project of An-Shun plant. In March, 2012, it also ordered the Company through its letter No. 1010242670 to pay before April 30, 2012. Accord to the law, Tainan City Government demanded the Company to pay the aforesaid expenses. In April, 2012, the Company filed a administrative appeal but it was rejected later. In November, 2012, the Company filed a complaint for administration litigation in the Kaohsiung High Administrative Court whose decision of reducing the expenses to be made by the Company to the Tainan City Government amounted to \$119. In September 2014, the Company and the Tainan City Government both appealed. This appeal was still on trial at the Supreme Administrative Court.

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- (4) In May, 2013, Tainan City Government issued its letter No. 1020383681B to order the Company to reimburse the expenses in the amount of \$26,530 for the remediation project of An-Shun plant before June 30, 2013. According to the law, Tainan City Government demanded the Company to pay the aforesaid expenses. In July, 2013, the Company thus filed an administrative appeal, but it was rejected later. In March 2014, the Company filed a complaint for administration litigation, which is still on trial at the Kaohsiung High Administrative Court.
- (5) In February, 2014, Tainan City Government determined the Company as the "Polluter according to the court verdict No. 1953, 2007 and ordered the Company to reimburse the expenses for the monitoring and management incurred by the Tainan City Government in the amount of \$27,444 in the year of 2011. On March 26, 2014, the Company paid those expenses within the prescribed period in accordance with the regulations. In March 2014, the Company filed an administrative appeal but was rejected later. In September 2014, the Company filed an administration complaint, which is still on trial in the Kaohsiung High Administrative Court.
12. (1) Since the Company still has objection to the government perception about the liability of polluted land in An-Shun area of Tainan City, it is still seeking possible administrative and legal remedy by all means.
- (2) Based on the Constitution Interpretation by the Company, J.Y. No.714 Interpretation of the Grand Justice, it didn't mention whether the successor of the Polluter entity should be liable for the treatment projects and remediation plan under SGPR Act or not was not in the scope of the regulation. Considering TAIC was a state-run company, whose An-Shun plant was under the control, supervision and operation of MOEA, Taiwan Providence Government, CPC which gained profits and vested interest. This should be an Act of the State. It is not legitimate that the private entity has to succeed a state's liability. Thus, The Company filed a plead to the Tainan City Government to determine those above-mentioned concerned authorities are de-facto polluter or potential polluter who should reimburse all expenses and fine paid by the Company. In November, 2004, the Tainan City Government issued a refusal of determination. The Company filed an administrative appeal in December 2014. The Tainan City Government submitted another order to withdraw its refusal and replace its new decision which is the refusal of the Company's pleading. For the economics of litigation, the Company continues the previous administrative appeal in December 2014 and filed a another administrative appeal to the new decision in April, 2015
- (3) As of December 31, 2014, the accruals for the accumulated relevant remediation project expenses incurred amounted to \$3,336,215.

Land of Chian Jen Training Center:

1. A portion of the land located at Chian Jen Training Center was originally used as a chemical factory of Japanese Asahi Denka Co., Ltd. (ADK) under Japanese Colonial Rule.
2. After retrocession of Taiwan, the Taiwan government took over and established the state-owned Taiwan Alkali Industrial Corporation (TAIC) continuing producing. In compliance with Taiwan government policy, which China Tian Jin Chemical Corp. transferred chemical equipment to TAIC by the end of 1948 and expanded its business operation.

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3. In April 1983, MOEA ordered the Company (state-run), the subsidiary of Chinese Petroleum Corp. to merge with TAIC (state-run). After taking over TAIC's land and factory, the Company changed its factory name to "Chian Jen plan, CPDC" and kept operating. In cooperation with the government's environmental policy, it ceased producing in the year of 1988. Due to the termination of its production, the Company progressed the work of conducting contamination, inspection and clean-up. The finish of clean-up by the waste disposal designated by the Company was done in 1992.
4. Because some inspected soils were found out the polluting mercury after the clean-up, Kaohsiung City Government declared the land as "Soil Polluted Control Site" in August 2006. In November 2007, the Company submitted a pollution remediation plan to the Kaohsiung City Government for reviewing and evaluated relating remediation expense. The Company's pollution remediation plan of "Soil Polluted Control Site" was officially adopted and approved in July 2009.

The aforementioned remediation expense of the Company was evaluated and recognized under the current situation. However, if there is any change caused by internal or external future factors, which may cause a significant difference from the currently recognized remediation expense, the overall remediation expenses will be revaluated and adjusted. As of December 31, 2014, the relevant remediation expenses accrued and recognized amounted to \$1,076,398.
5. Other portion of the land of Chian Jen Training Center, originally owned by TAIC, was leased to Taiwan Vcm Corp. (TVC Kaohsiung plant) to produce vcm and est. since 1970. In 1991, TVC returned the land to the Company after removing its plants and equipments. Kaohsiung City Government inspected that the groundwater in the land was polluted by vcm and other chemicals producing by the TVC's factories and the land was declared as "Pollution Control Area" in October, 2006. According to "Soil and Groundwater Pollution Remediation Law", the Kaohsiung City Government determined that Taiwan Vcm Corp. was the polluter causing groundwater pollution and approved the pollution remediation plan submitted by the Taiwan Vcm Corp in September 2009. On December 20, 2012, the Company filed a lawsuit to reimburse the expense paid by the Company, on behalf of Taiwan Vcm Corp. The Shihlin District Court's ruling was in favor of the Company and demanded TVC should reimburse the Company in the amount of \$14,885 with the yearly interest of 5% from July 3, 2002 and 35% of litigation fees. Both Parties reached a settlement on January 26, 2015 and the case was settled.

The Kaohsiung plant of Chinese Petroleum Corporation of Taiwan is expected to relocate or close in 2015. If the condition has not changed by that time, it will affect the procurement of raw materials of acetic acid product of the Dashe factory of the Company, and the Company may be forced to cease the operations of the Dashe factory. The board of directors' had to pass a major resolution to shutdown the Company's acetic acid plant in Dashe during their meeting on November 20, 2012.

Land in Tai Jian New Village :

1. The Company signed an agreement with the residents in the neighborhood that the Company provided its land in Xin-jia section, Fongshan Dist., Kaohsiung City for public facilities without any consideration under the premise that all the residents in the neighborhood comply with the agreement made between the residents and the Company in 1986.

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2. Later on, upon inspection, the said residents were noted to have built illegal constructions on provided land which was a breach of the said agreement. As the residents did not remove the illegally built buildings and return the land to the Company after certain communication between the Company and the residents, the Company thus filed a civil lawsuit in February 2013 which requires for the removal of the illegal construction and return of the land. This lawsuit was dismissed in the Taiwan Kaohsiung District Court. In September 2014, the Company filed an appeal, which is still on trial in the Kaohsiung High Court.

j. Intangible assets

The components of the costs of intangible assets, amortization, and impairment loss thereon or the years ended December 31, 2014 and 2013 were as follows:

	<u>Goodwill</u>	<u>Patents and trademark</u>	<u>Total</u>
Costs :			
Balance as of December 31, 2014	\$ 5,444	56,700	62,144
Balance as of December 31, 2013	\$ 5,444	57,700	62,144
Balance as of January 1, 2013	\$ 5,444	56,700	62,144
Amortization and Impairment Loss:			
Balance as of January 1, 2014	\$ -	40,172	40,172
Amortization for the period	-	1,803	1,803
Balance as of December 31, 2014	\$ -	41,975	41,975
Balance as of January 1, 2013	\$ -	12,357	12,357
Amortization for the period	-	4,362	4,362
Impairment loss	-	23,453	23,453
Balance as of December 31, 2013	\$ -	40,172	40,172
Carrying value:			
Balance as of December 31, 2014	\$ 5,444	14,725	20,169
Balance as of December 31, 2013	\$ 5,444	16,528	21,972
Balance as of January 1, 2013	\$ 5,444	44,343	49,787

As of December 31, 2014 and 2013, and January 1, 2013, the aforesaid intangible assets were not pledged as collateral.

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k. Short-term and long-term loans

December 31, 2014				
	Currency	Interest Rate Range	Year of Expiration	Amount
Secured bank loans	NTD	1.6%	2015	\$ 105,000
Secured bank loans	NTD	1.6~1.99%	2017	1,595,000
Unsecured bank loans	NTD	1.6%	2015	200,000
Letter of credit loans	NTD	1.538%	2015	200,000
Letter of credit loans	USD	0.99~1.70%	2015	2,164,933
Total				\$ 4,264,933
Current				\$ 2,669,933
Non-current				1,595,000
Total				\$ 4,264,933

December 31, 2013				
	Currency	Interest Rate Range	Year of Expiration	Amount
Secured bank loans	NTD	1.5994~1.63%	2016	\$ 400,000
Unsecured bank loans	NTD	1.475~2.348%	2014	1,590,000
O/A loans	USD	1.375%	2014	78,620
Letter of credit loans	USD	1.216~2.05%	2014	1,090,428
Letter of credit loans	NTD	1.475~1.85%	2014	627,750
Total				\$ 3,786,798
Current				\$ 3,386,798
Non-current				400,000
Total				\$ 3,786,798

The Company signed a contract for secured bank credit facilities totaling \$1,700,000 in order to meet funding requirement. As of December 31, 2014, the total amounts of both the above credit facilities were used. The long-term bank loans-current portion is \$105,000. Please refer to Note 8 for details of the related assets pledged as collateral.

As of December 31, 2014 and 2013, and January 1, 2013, the Company was granted by banks short-term credit lines of \$5,918,225, \$6,803,700 and \$2,139,000, of which \$963,098, \$1,008,278 and \$2,139,000, respectively, were unused.

As of December 31, 2014 and 2013, and January 1, 2013, the subsidiaries' short-term credit lines of \$ 130,000, US\$ 18,228, \$ 130,000, US\$ 22,000 and \$ 130,000, US\$ 22,030, respectively, were unused. Please refer to Note 8 for details of the related assets pledged as collateral.

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l. Long-term bills payable

The components of long-term bills payable were as follows:

December 31, 2014			
	Acceptance institution	Period	Amount
Bills payable	China Bills Finance Corporation	2013.12.17~2015.12.05	\$ 300,000
Bills payable	China Bills Finance Corporation	2014.12.22~2015.12.05	100,000
Bills payable	Mega Bills Finance Co., Ltd.	2013.12.05~2015.11.04	300,000
Bills payable	Taching Bills Finance Co., Ltd.	2014.04.18~2015.03.19	300,000
			1,000,000
Less: Discount on long-term bills payable			(1,207)
Total			\$ 998,793

December 31, 2013			
	Acceptance institution	Period	Amount
Bills payable	China Bills Finance Corporation	2013.12.17~2014.12.10	\$ 300,000
Bills payable	Mega Bills Finance Co., Ltd.	2013.12.05~2014.11.04	300,000
			600,000
Less: Discount on long-term bills payable			(100)
Total			\$ 599,900

The Company had revolving commercial promissory note agreements with bills finance companies in order to meet its business requirement. The interest rates for the year ended December 31, 2014 and 2013 ranged from 0.68%~1.16% and 0.68%~0.96%, respectively.

Please refer to Note 8 for details of the related assets pledged as collateral.

m. Bonds payable

	December 31, 2014
Total amount of issuing convertible bonds	\$ 4,127,904
The amount of unamortized discount bonds payable	(334,881)
Interest payable refund from bonds conversion	2,732
Valuation adjustment of interest payable from bonds payable	47,916
Ending balance of bonds payable	\$ 3,843,671
Embedded derivative-call option、put option and Conversion Right	\$ 706,549
	For the Years Ended December 31 2014
Embedded derivative-call option and put options are measured at fair value	\$ 507,171
Interest expense	\$ 4,181

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The Company is offering US\$132,000 aggregate principal amount of Credit Enhanced Zero Coupon Convertible Bonds due 2019. And, the effective interest rate is 3.2082%. The conversion price of NT\$10.80 per share with a fixed exchange rate of NT\$31.222 = US\$1.00 applicable on conversion of the Bonds. In case of the common stock change price that depend on the rule. The bonds bear no conditions. Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will mature, and we will redeem the Bonds, on December 17, 2019 at 109.10% of the unpaid principal amount thereof.

The company redeem in whole or in part early as current when :

1. At the Early Redemption Amount on the date of redemption if the Market Price (as defined herein) (translated into US Dollars at the Prevailing Rate (as defined herein)) for 20 out of 30 consecutive Trading Days, the last of which occurs not more than five trading days prior to the date on which notice of such redemption is given, is at least 125% of the quotient of the Early Redemption Amount divided by the Conversion Ratio
2. if more than 90% in principal amount of the Bonds originally outstanding has been redeemed, repurchased and cancelled or converted, at the Early Redemption Amount, provided that the applicable Redemption Date does not fall within a Closed Period.
3. If, as a result of certain changes relating to the tax laws in the ROC or such other jurisdiction in which we are then organized or resident for tax purposes, we become obligated to pay Additional Amounts. the Bonds. may be redeemed at the option of us, in whole but not in part, at the Early Redemption Amount Bondholders may elect not to have their Bonds redeemed but with no entitlement to any Additional Amounts or reimbursement of additional tax.
4. Upon the occurrence of an LC Redemption Event (as defined herein) and to the extent permitted by applicable law, we shall redeem all and not some only of the outstanding Bonds at the Early Redemption Amount to such date, subject to the right of each holder of the Bonds to elect that such holder's Bonds shall not be redeemed, but shall remain outstanding without the benefit of the Letters of Credit.

Except for the following circumstances : The Bondholder should not request the company in whole or in part before maturity date

1. Unless the Bonds have been previously redeemed, repurchased and cancelled, or converted, each Bondholder shall have the right, at such Bondholder's option, to require us to repurchase, in whole or in part (being US\$200,000 in principal amount and integral multiples thereof), of such Bondholder's Bonds on December 17, 2017 at 105.37% of their principal amount
2. In the event that the Common Shares cease to be listed or admitted to trading on the TWSE, each Bondholder shall have the right, at such Bondholder's option, to require us to repurchase, in whole or in part.
3. Upon the occurrence of an LC Redemption Event (as defined herein) and to the extent permitted by applicable law, each Bondholder shall have the right, at such Bondholder's option, to require us to repurchase, in whole or in part.

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Bondholder bears the right to call the bond. According to bond commission contract, using the cash to repurchase the bonds.

Payments of (i) the principal of and premium on the Bonds at maturity or upon redemption or repurchase; or (ii) the principal of and premium and default interest (if any) on the Bonds in the case of an Event of Default (as defined herein), will have the benefit of irrevocable standby letters of credit (the “Letters of Credit”) issued severally but not jointly by CTBC Bank Co., Ltd. and Taiwan Cooperative Bank, Ltd. in accordance with their respective committed percentage to the total principal amount of the Bonds. The Letters of Credit do not support any other payment obligation of the Issuer.

Letters of credit (the “Letters of Credit”) issued severally but not jointly by CTBC Bank Co., Ltd. and Taiwan Cooperative Bank, Ltd. in accordance with their respective committed percentage to the total principal amount of the Bonds. In the duration period, the financial ratio restriction applied by the Bank are as follows:

1. Current ratio (current assets/current liabilities): should not be less than 120%.
2. Debt ratio ((total liabilities + contingent liabilities)/tangible net assets): should not be higher than 70%.
3. Interest coverage ratio (EBITDA/interest expense): should not be less than 3%.
4. Tangible net assets (stockholders’ equity (including minority shareholders) - intangible assets): should not be less than \$25,000,000.

As of December 31, 2014, the Company was in compliance with the loan covenants mentioned above.

Please refer to Note 8 for details of the related assets pledged as collateral.

m. Provisions

	Decommissioning	Remediation project	Employee benefits	Total
Balance as of January 1, 2014	\$ 1,218,945	1,010,100	217,580	2,446,625
Provisions made during the period	-	1,356,000	24,192	1,380,192
Provisions paid during the period	-	(539,741)	(35,514)	(575,255)
Balance as of December 31, 2014	\$ 1,218,945	1,826,359	206,258	3,251,562
Current	\$ -	614,788	11,674	626,462
Non-current	1,218,945	1,211,571	194,584	2,625,100
	\$ 1,218,945	1,826,359	206,258	3,251,562
Balance as of January 1, 2013	\$ 1,210,445	2,275,779	172,676	3,658,900
Provisions made during the period	8,500	-	107,102	115,602
Provisions paid during the period	-	(1,265,679)	(62,198)	(1,327,877)
Balance as of December 31, 2013	\$ 1,218,945	1,010,100	217,580	2,446,625
Current	\$ -	685,681	11,674	697,355
Non-current	1,218,945	324,419	205,906	1,749,270
	\$ 1,218,945	1,010,100	217,580	2,446,625

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1. As the Environmental Protection Administration has indicated that there are still some areas on the land of Chian Jen Training Center, which are polluted by mercury up to now, the Company is controlling, and remediating the pollution problem thereon. In November 2007, the Company applied for the pollution remediation project to the Kaohsiung City Government Environmental Protection Bureau and this remediation project was approved in July 2009. Please see Note 6 h. for further details. The Company increased by the relevant accruals by \$207,600 on November 30, 2012.
2. In June 2008, the Tainan City Government required the Company to improve the pollution problem in Anshun plant. Accordingly, the Company provided a remediation project proposal to the Tainan City Government in June 2008 and accrued relevant remediation project expenses of \$1,647,200. This remediation project proposal was approved in May 2009. Until September, 2014, the Company has spent \$16 Millions for the first stage. The As the Company's project was officially approved in May, 2009 and the amendment was approved on July 2, 2012, the Company has implemented the plan after approval and finished the first stage in September, 2014. The following 10 years, the second remediation stage is launching .The Company submitted the second amendment of the remediation plan to the Tainan City Government for approval. On December 24, 2014, Tainan City Government notified the Company its approval and now is under public tender reviewing.cost based on the situation of December, 2014 is \$1,356,000 for the subsequence of the second remediation stage. Please see Note 6 h. for further details.
3. (1) The four parcels of land, including those located in Dongshan 540 section, Shulin District, New Taipei City were originally the Shulin plant land of Taiwan Alkali Industrial Corporation and subsequently sold to the Chinese Petroleum Corporation. On August 16, 2010, such land is officially announced as a "soil pollution control site" by the Environmental Protection Department, New Taipei City Government. In March, 2011, the Environmental Protection Department, New Taipei City Government issued its No. 1000010000 letter , under which, the Company was identified as the surviving corporation from the merger with Taiwan Alkali Industrial Corporation, and was therefore recognized as the polluter and was required to be the party responsible for the remediation process.

(2) In August 2011, the Environmental Protection Department, New Taipei City Government issued its No. 1001001329 letter, under which, the Company was required to complete the investigation and propose pollution control plan to the Environmental Protection Department, New Taipei City Government for approval and begin to implement its pollution control plan after the approval. According to the management of the Company, the Company has never done any production, development, use, or caused pollution since the completion of its merger with Taiwan Alkali Industrial Corporation, under the administrative order by Ministry of Economic Affairs. The Company disagrees with being tagged as the polluter and therefore filed an administrative relief in August 2011. In 2011, according to the relevant provisions of the Financial Accounting Standards, the Company estimated and recognized relevant remediation expenses of \$273,750. Please refer to Note 9 i. for further details.

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n. Non-current preferred share liabilities

On April 2, 2012, one of the subsidiaries, Chung Hua Shuang Tzu Hsing Kai Fa Co.,Ltd., decided to issue 20,000 thousand preferred shares through cash, with par value of \$10 (NT dollars) per share, totaling \$200,000. The aforesaid preferred shares were classified in its financial statements as preferred share liabilities of \$154,682 and capital surplus-share option of \$45,318. As of December 31, 2014 and 2013, the preferred share liabilities were measured at amortized cost as \$172,270 and \$165,548. As of December 31, 2014 and the period from June 21, to December 31, 2013, the amortization cost was \$6,722 and \$3,391, which was charged to profit or loss under finance costs of the statements of comprehensive income, please refer to Note 6 u. for details.

The key issuance terms were as follows:

1. Unilaterally redeemable by Chung Hua Shuang Tzu Hsing Kai Fa Co.,Ltd. at the price equal to or higher than the par value.
2. Convertible to common stock during the period to be decided by Chung Hua Shuang Tzu Hsing Kai Fa Co.,Ltd. or under the agreement between Chung Hua Shuang Tzu Hsing Kai Fa Co.,Ltd. and preferred shareholders.
3. The preferred shareholders have the priority over the distribution of residual property up to their original subscription amounts upon the dissolution or liquidation of the Company. The rest then is appropriated proportionally to other shareholders.
4. No dividends and earnings are to be distributed to preferred shareholders. Also, they do not bear rights to receive stock dividend when there is capital increase through capital surplus.
5. With the right to vote in shareholders' meeting.

The convertible preferred shares consist of liability component and equity component. The equity component is included as part of non-controlling interests in balance sheets. The initial effective interest rate is 4%.

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o. Operating lease

The Consolidated Company leases out some its property, plant and equipment under operating leases, please refer to Note 6 h. and i. The details of future minimum lease receivable in non-cancellable lease period were as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Less than one year	\$ 13,345	9,974	10,048
Between one and five years	45,134	33,000	28,124
Over five years	49,996	1,375	7,700
	<u>\$ 108,475</u>	<u>44,349</u>	<u>45,872</u>

As of December 31, 2014 and 2013, the rent revenue of property, plant and equipment is \$16,706 and \$15,317.

p. Employee benefits

1. Defined benefit plans

The Consolidated Company's defined benefit obligations and fair value of plan assets were as follows:

	December 31, 2014	December 31, 2013	January 1, 2013
Present value of funded defined benefit obligation	\$ 1,002,812	1,085,903	1,199,561
Total present value of obligations	1,002,812	1,085,903	1,199,561
Fair value of plan assets	(808,228)	(879,997)	(1,038,484)
Deficit in the plan	<u>\$ 194,584</u>	<u>205,906</u>	<u>161,077</u>

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

(1) Composition of plan assets

The Company set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Labor Pension Fund Supervisory Committee. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

As of reporting date, the balance of the Consolidated Company's contributions to the pension funds in Bank of Taiwan was \$810,313. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

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(2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Defined benefit obligation, January 1	\$ 1,085,903	1,199,561
Benefits paid from plan assets	(121,675)	(155,547)
Current service costs and interest	47,304	50,711
Settlements	(3,497)	(75,606)
Effects of transferred-in employee	-	7,139
Actuarial losses (gain)	(5,223)	59,645
Defined benefit obligation, December 31	\$ 1,002,812	1,085,903

(3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit assets for the year ended December 31, 2014 and 2013 were as follows:

	2014	2013
Fair value of plan assets, January 1	\$ 879,997	1,038,484
Employer contributions	31,961	39,925
Benefits paid by the plan	(121,664)	(131,070)
Expected return on plan assets	14,880	14,337
Settlements	(3,497)	(79,737)
Actuarial losses (gain)	6,551	(1,942)
Fair value of plan assets, December 31	\$ 808,228	879,997

(4) Expenses recognized in profit or loss

The Consolidated Company's pension expenses recognized in profit or loss for the years ended December 31, 2014 and 2013 were as follows:

	For the Years Ended December 31	
	2014	2013
Current service cost	\$ 29,129	34,133
Interest cost	18,175	16,577
Expected return on plan assets	(14,880)	(14,337)
Others	-	11,270
	\$ 32,424	47,643
Operating costs	\$ 29,618	42,595
Selling expenses	159	448
Administrative expenses	2,385	6,990
Research and development expenses	211	348
Loss on work stoppages	51	158
	\$ 32,424	50,539
Actual return on plan assets	\$ 21,431	12,395

The defined benefits plans included additional expenses paid to those who met the criteria of special preferential plan of the Company, the expenses thereon for the years ended December 31, 2014 and 2013 amounted to \$0 and \$2,896 , respectively.

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As there was settlement of employee benefit obligation under an agreement with several employees, the defined benefit obligations decreased by \$0 and \$75,606 as of December 31, 2014, and 2013.

(5) Actuarial gains and losses recognized in other comprehensive income

The Consolidated Company's actuarial gains and losses recognized in other comprehensive income for the year ended December 31, 2014, and 2013 was \$11,774, and \$(61,587).

(6) Actuarial assumptions

The following are the key actuarial assumptions at the reporting date:

	For the Years Ended December 31	
	2014	2013
Discount rate	1.50~2.00%	1.50~2.00%
Expected return on plan assets	1.50~1.75%	1.50~1.75%
Future salary increases	0.50~1.50%	0.50~1.50%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

(7) Experience adjustments based on historical information

	December 31, 2014	December 31, 2013	January 1, 2013
Present value of defined benefit obligation	\$ 1,002,812	1,085,903	1,199,561
Fair value of plan assets	(808,228)	(879,997)	(1,038,484)
Deficit in the plan	<u>\$ 194,584</u>	<u>205,906</u>	<u>161,077</u>
Experience adjustments arising on plan liabilities	<u>\$ 5,223</u>	<u>(59,645)</u>	<u>(26,321)</u>
Experience adjustments arising on plan assets	<u>\$ 6,551</u>	<u>(1,942)</u>	<u>(9,086)</u>

The Consolidated Company is expecting \$28,578 worth of contributions to be paid to its benefit plans within a year starting from the reporting date of December 31, 2014.

(8) In determining the present value of the defined benefit obligation, the Company's management makes judgments and estimates in determining certain actuarial assumptions on the balance sheet date, which includes employee turnover rate and future salary changes. Changes in actuarial assumptions will impact the amount of defined benefit obligation.

As of December 31, 2014, the reporting date, the Consolidated Company's net defined benefit liability had a carrying amount of \$205,906. An increase (decrease) of 0.25% in discount rate would have (decreased) increased the present value of the defined benefit obligation by \$(18,568) and \$19,325, respectively. An increase

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(decrease) of 0.25% in future salary increase rate would have increased (decreased) the present value of the defined benefit obligation by \$18,916 and \$(18,254), respectively.

2. Defined contribution plans

The Consolidated Company contributes an amount at the rate of 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance and Council of Labor Affairs in R.O.C. in accordance with the provisions of the Labor Pension Act. The Company's contributions to the Bureau of the Labor Insurance and Social Security Bureau for the employees' pension benefits require no further payment of additional legal or constructive obligations.

The cost of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2014 and 2013 amounted to \$29,456 and \$26,129, respectively.

3. Short-term compensated absences liabilities

As of December 31, 2014 and 2013, and January 1, 2013, the Consolidated Company's short-term compensated absences liabilities amounted to \$11,674, \$11,674 and \$11,599, respectively.

q. Income Tax

The components of income tax expense for the years ended December 31, 2014 and 2013 were as follows:

	For the Years Ended December 31,	
	2014	2013
Current income tax expense		
Currently incurred	\$ (63,846)	(60,695)
Adjustment to prior year's income tax charged to current income tax	608	(8,733)
	<u>(63,238)</u>	<u>(69,428)</u>
Deferred tax expense		
The origination and reversal of temporary differences	340,570	245,168
Unrecognized changes of deductible temporary differences	(335,391)	(250,334)
	<u>5,179</u>	<u>(5,166)</u>
Income tax expense	<u>\$ (58,059)</u>	<u>(74,594)</u>

For the years ended December 31, 2014 and 2013, income tax expenses recognized under other comprehensive income were both \$0.

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Income tax calculated on pre-tax financial income was reconciled with income tax expense for the years ended December 31, 2014 and 2013 as follows:

	For the Years Ended December 31	
	2014	2013
Profit before income tax	\$ 352,591	5,319,661
Income tax on pre-tax financial income calculated at the domestic rate	(96,637)	(904,242)
Effects of tax rate differences in foreign jurisdiction	-	6,159
Changes of unrecognized temporary differences	905	-
Unrecognized deferred tax assets	(335,391)	(250,334)
Changes of permanent differences	387,507	1,089,910
Prior years income tax adjustment	608	(8,733)
10% surtax on undistributed earnings	(8,032)	(7,254)
Tax-free income	(7,019)	-
Total	\$ (58,059)	(74,494)

1. Unrecognized deferred tax assets and (liabilities)

	December 31, 2014	December 31, 2013	January 1, 2013
Decommissioning liabilities	\$ 28,450	4,376	169,728
Remediation project	484,918	655,901	1,221,350
Extraordinary loss	1,341,441	354,199	1,054,429
Allowance for doubtful receivables	319,484	319,484	319,484
Property, plant and equipment, investment property	1,651,837	369,867	720,767
Pension	137	481	(16,889)
Tax loss	5,709,621	3,187,951	1,223,167
Others	121,699	(308,763)	(146,998)
	\$ 9,657,587	4,583,496	4,545,038

The Company's income tax returns through 2011 have been assessed and approved by the Tax Authority. Tax loss ratified by Tax Administration could be carried forward for ten consecutive years in accordance with Income Tax Act. The Consolidated Company did not recognize aforesaid tax loss as deferred tax assets because it is not expecting enough taxable profit in the near future.

As of December 31, 2014, the expiration years of tax loss unrecognized as deferred tax assets were as follows:

(1) The Company

Year incurred	Amount	Effective Period
2012	\$ 426,187	2013-2022
2013	2,525,639	2014-2023
2014(estmated)	2,346,524	2015-2024

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(2) Taivex Therapeutics Inc.

<u>Year incurred</u>	<u>Amount</u>	<u>Effective Period</u>
2010	\$ 14,389	2011-2020
2011	16,878	2012-2021
2012	29,656	2013-2022
2013	50,227	2014-2023
2014(estimated)	27,489	2015-2024

(3) Chung Hua Shuang Tzu Hsing Kai Fa Co.,Ltd.

<u>Year incurred</u>	<u>Amount</u>	<u>Effective Period</u>
2011	107	2012-2021
2012	2,461	2013-2022
2013	14,143	2014-2023
2014(estimated)	44,360	2015-2024

(4) Weihua (Rudong) Trade Co., Ltd

<u>Year incurred</u>	<u>Amount</u>	<u>Effective Period</u>
2012	93	2013-2017
2013	16,017	2014-2018
2014	87,275	2015-2019

(5) Weiqiang International Trade (Shanghai) Co., Ltd.

<u>Year incurred</u>	<u>Amount</u>	<u>Effective Period</u>
2013	20,322	2014-2018
2014	41,926	2015-2019

(6) Weida (zhangzhou) Consultant Service Co., Ltd.

<u>Year incurred</u>	<u>Amount</u>	<u>Effective Period</u>
2013	3,735	2014-2018
2014	1,359	2015-2019

(7) Juangsu Weiming Petrochemical Corporation

<u>Year incurred</u>	<u>Amount</u>	<u>Effective Period</u>
2013	2,891	2014-2018
2014	37,943	2015-2019

2. Deferred tax liabilities:

	<u>Reserve for Land Revaluation Increment Tax</u>	<u>Defined benefit plans</u>	<u>Total</u>
Balance, January 1,2014	\$ 8,087,522	1,294	8,088,816
Recognized in profit or loss	(6,460)	6	(6,454)
Balance, December 31,2014	<u>\$ 8,081,062</u>	<u>1,300</u>	<u>8,082,362</u>
Balance, January 1,2013	\$ 8,088,819	2,281	8,091,100
Recognized in profit or loss	(1,297)	(987)	(2,284)
Balance, December 31,2013	<u>\$ 8,087,522</u>	<u>1,294</u>	<u>8,088,816</u>

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3. Deferred tax assets:

	Taxable Loss	Defined benefit plans	Investments in subsidiaries	Total
Balance, January 1, 2014	\$	25	4,179	4,204
Recognized in profit or loss	9,358	(18)	(4,179)	5,161
Balance, December 31, 2014	<u>\$ 9,358</u>	<u>7</u>	<u>-</u>	<u>9,365</u>
Balance, January 1, 2013	\$ -	25	-	25
Recognized in profit or loss	-	-	4,179	4,179
Balance, December 31, 2013	<u>\$ -</u>	<u>25</u>	<u>4,179</u>	<u>4,204</u>

4. Stockholders' imputation tax credit account and tax rate:

	December 31, 2014	December 31, 2013	January 1, 2013
Undistributed earnings arising from earnings generated from January 1, 1998 when corporate and personal income taxes were integrated.	<u>\$ 288,648</u>	<u>(760,313)</u>	<u>20,781,934</u>
Stockholders' imputation tax credit account	<u>\$742,926</u>	<u>621,479</u>	<u>563,172</u>

The undistributed earnings stated above, including comparative information, were in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China.

	For the Years Ended December 31	
	2014(Expect)	2013(Actual)
Tax deduction ratio for earnings distributable to R.O.C. residents	<u>- %</u>	<u>- %</u>

The aforesaid imputation tax related information was prepared in accordance with Decree No.10204562810 issued by the Taxation Administration, Ministry of Finance, R.O.C. on October 17, 2013.

r. Capital and reserves

As of December 31, 2014 and 2013, and January 1, 2013, all the authorized capital of the Company consisted of \$23,199,897, respectively, with par value of \$10 (NT dollars) per share, and its outstanding capital consisted of 2,319,990 thousand shares, respectively.

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	(In thousands of shares)	
	Common Stock	
	2014	2013
Ending balance, December 31(equal to January 1)	2,319,990	2,319,990

1. Capital Surplus

In accordance with the ROC Company Act, as amended in January 2012, capital surplus cannot be used to distribute cash dividends or be used to increase capital unless it offsets the deficit first. The realized capital surplus includes those arising from donation and the excess of the issuance price over the par value of capital stock issued. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, if capital surplus is capitalized in batches, the combined amount of capital surplus capitalized in batches in any one year cannot exceed 10 % of paid-in capital.

2. Retained earnings

Based on the Company's Articles of Incorporation, the net income, after paying for corporate income tax, offsetting against any deficit, and appropriating 10% of the balance as legal reserve, appropriating or reversing special reserve, if any, is further appropriated as follows:

- (1) 2% as directors' and supervisors' compensation;
- (2) 3% as employee bonus; and
- (3) 95% as stockholders' dividend, of which, 50% to 100% shall be appropriated as stock dividends and the remainder shall be appropriated as cash dividends. If the ratio of total liabilities to total assets is over 50%, stock dividends will be distributed first.

In accordance with Articles of Incorporation, as amended in June 24, 2011 and the Company's annual shareholder meeting, the net income, after paying for corporate income tax, offsetting the deficit, and appropriating for legal reserve, capital surplus and special reserve, if any, should be distributed at the rate of 2% as remuneration to the Directors and Supervisors, and 3% as employees' bonuses. With respect to any balance herein together with the undistributed accumulative profits in previous years, the Board of Directors shall prepare an allotment proposal and submit to the shareholder meeting for approval according to the following policy.

The Company distributes dividends depending on the level of earnings of each year, funding needs, industrial environment, and status of competition, long-term operating plan and interests of shareholders. Under such circumstances, the Company may appropriate for special reserve either in whole or in part to assure financial stability and sustainability. The Company may distribute dividends in cash or stock. In the case that the distribution is made in the form of by stock dividend, the ratio for the stock dividend shall not exceed 50% of the total distribution unless the ratio of the Company's total liabilities to total assets is equivalent or above 50% or otherwise prescribed in relevant laws and regulations.

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(1) Legal reserve

In accordance with the Amended Company Act 2012, 10 percent of net income is set aside as legal reserve, until it is equal to share capital. If the Company experiences profit for the year, the meeting of shareholders decides on the distribution of the statutory earnings reserve either by issuing new shares or by cash, of up to 25 percent of the actual share capital.

(2) Special reserve

By adopting the exemptions allowed under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), unrealized asset revaluation gains in shareholders' equity of \$5,281,790 was reclassified to retained earnings. The net increase in retained earnings due to the first-time adoption of IFRSs amounted to \$4,235,076. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a special reserve is appropriated from the distribution of retained earnings as a result of an increase in retained earnings due to the first-time adoption of IFRSs. When the related assets are used, disposed of, or reclassified, this special reserve is reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to \$4,235,076 on December 31, 2014.

In accordance with Ruling No. 1030006415 issued by the Financial Supervisory Commission on 18 March 2014, first-time Adoption of fair value measurement mode, a special reserve is appropriated for the same amounts net fair value added. The carrying amount of special reserve amounted to \$21,224,233.

For every year the company distribute earnings, a special reserve is appropriated for the following order:

1. On current year, a special reserve is appropriated for the same amounts that the net increase in the fair value arising from investment property using the fair value model from current year's net income and last year undistribution earnings. A special reserve is appropriated for the same amounts of the cumulated net increase in the fair value for the period year from undistribution earnings shall not be distributed. When the investment property disposed of, this special reserve is reversed as distributable earnings proportionately.
2. In accordance with Ruling No. 1010047490 issued by the Financial Supervisory Commission on 21 November 2012, a special reserve is appropriated for the same amounts equal to the difference between market value and book value that subsidiary holding shares of parent company according to the shareholding ratio, shall not be assigned. Subsequently, when the market value rise, this special reserve is reversed as distributable earnings proportionately.
3. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a special reserve is appropriated to the difference between net deduction of other shareholders' equity occurred in current year and the Company's first-time adoption of the International Financial Reporting Standards approved by the Financial Supervisory Commission (IFRSs), it needed to increase record special reserve from current year's net income and last year undistribution earnings. Belong to the last year net cumulated deduction of other shareholders' equity, it shall not be assigned of the increase in record

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special reserve from last years. When the deduction of other shareholders' equity is reversed, this special reserve is reversed as distributable earnings proportionately.

(3) Earnings Distribution

For the years ended December 31, 2014 and 2013, employee bonuses of \$0, and directors' and supervisors' remuneration of \$0, respectively, were estimated and recognized as current expense. These amounts were calculated using the Company's net profit for the years ended December 31, 2013 and 2012, and were determined according to the earnings allocation method, priority and factor for employee benefits and key management personnel compensation as stated under the Articles of Association. These benefits were charged to profit or loss under operating costs or operating expenses for the years ended December 31, 2014 and 2013.

Based on the ruling issued by the Financial Supervisory Commission, Executive Yuan, the Company estimates and accrues the amounts of employee bonus and directors' and supervisors' remuneration. For the years ended December 31, 2013 and 2012, the estimated and accrued employee bonus amounted to \$0 and \$38,286 and directors' and supervisors' remuneration amounted to \$0 and \$25,524, respectively. Differences between the amounts approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized in profit or loss.

The actual 2012 earnings distributions and those recognized in the financial report for 2012 were as follows:

	For the Years Ended December 31		
	2012		
	Actual distribution approved by the shareholders'	Distribution recognized in the financial report	Difference
Employee bonus	\$ 38,288	38,286	2
Remuneration of directors and supervisors	25,525	25,524	1
	\$ 63,813	63,810	3

The difference between the actual amounts of earnings distribution for 2012 and those recognized in the financial statements for 2012 was due mainly to rounding difference. Such difference was accounted for as a change in accounting estimate and charged to profit or loss in 2013.

There was no difference between actual result of earnings distribution of 2013 and those estimated and accrued in the financial statements.

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On June 26, 2014 and June 28, 2013, the Company's shareholders' meeting resolved to appropriate the 2012 and 2011 earnings. These earnings were distributed as dividends and employee bonuses and remuneration to directors and supervisors as follows:

	For the Years Ended December 31			
	2013		2012	
	Dividend per share(NT\$)	Amount	Dividend per share(NT\$)	Amount
Dividends attributed:				
Cash	\$ -	-	0.50	1,159,995

3. Other equity account

	Exchange differences on translation of foreign financial statements	Available-for-sale investments
Balance, January 1, 2014	\$ (142,972)	(885,919)
Translation adjustment for net assets of foreign operating agency	112,327	-
The share of conversion difference for affiliated companies for using equity method	(1,299)	-
Unrealized gain for available-for-sale financial assets	-	(59,515)
Unrealized gain for available-for-sale financial assets for subsidiary using equity method	-	(37,014)
Unrealized gain for available-for-sale financial assets for affiliated companies for using equity method	-	(201)
Balance, December 31, 2014	<u>\$ (31,944)</u>	<u>(982,649)</u>
Balance, January 1, 2013	\$ (190,171)	(997,886)
Translation adjustment for net assets of foreign operating agency	46,511	-
The share of conversion difference for affiliated companies for using equity method	688	-
Unrealized gain for available-for-sale financial assets	-	177,026
Unrealized gain for available-for-sale financial assets for subsidiary using equity method	-	(65,080)
Unrealized gain for available-for-sale financial assets for affiliated companies for using equity method	-	21
Balance, December 31, 2013	<u>\$ (142,972)</u>	<u>(885,919)</u>

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s. Earnings per share

The basic earnings per share and diluted earnings per shares for the years ended December 31, 2014 and 2013 were calculated as follows:

	For the Years Ended December 31	
	2014	2013
Basic earnings per share (NT dollars)		
Profit attributable to ordinary shareholders	\$ 304,449	5,275,719
Weighted-average number of ordinary shares (retroactively adjusted)	2,319,990	2,319,990
	\$ 0.13	2.27
Diluted earnings per share (NT dollars)		
Profit attributable to ordinary shareholders(basic)	304,449	5,275,719
After-tax effect of Convertible bonds' interest expense and other profit	-	-
Profit attributable to ordinary shareholders(diluted)	\$ 304,449	5,275,719
Weighted-average number of ordinary shares (retroactively adjusted)	2,319,990	2,319,990
Effect of Convertible bonds	-	-
Effect of potentially dilutive ordinary shares of Employee stock bonus	-	1,260
Weighted-average number of ordinary shares (diluted)	2,319,990	2,321,250
	0.13	2.27

It's not included weighted-average number of ordinary shares (diluted) of convertible bonds effect of 14,653 thousand units and 0 thousand units for the years ended December 31, 2014 and 2013, because of its anti-dilution effect.

t. Revenue

	For the Years Ended December 31	
	2014	2013
Sales of goods	\$ 33,249,482	35,338,541

u. Non-operating income and expense

1. Other income

	For the Years Ended December 31	
	2014	2013
Interest income		
Repurchase agreement	\$ 11,872	8,203
Imputed interests of security deposits	13	13
Bank deposits	48,713	25,686
Discount income of vendor early payment	228	-
Dividends income	60,714	40,158
Other income	69,407	77,822
Rental income	16,706	15,317
	\$ 207,653	167,199

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2. Other gains and losses

	For the Years Ended December 31	
	2014	2013
Foreign exchange gains (losses)	\$ 11,729	52,475
Gain on disposal of investments	61,523	-
Gain (Loss) on disposal of financial assets held for trading	-	1,853
Gain(Loss) on disposal of property, plant and equipment	(5,088)	(14,426)
Gain on evaluation of investment property	5,172,872	6,705,316
Asset impairment loss	(1,214,750)	-
Net gains (losses) on evaluation of financial assets (liabilities) measured at fair value through profit or loss	357	46,086
Impairment loss of intangible assets	-	(23,453)
Embedded Derivatives- Gain(loss) on fair value Measurement of buy back right 、sell back right and Conversion Right	(507,171)	-
Extraordinary losses-Expense of pollution remediation	(1,356,000)	-
Bank fees	(48,885)	(26,993)
Other losses	(273,074)	(144,731)
	\$ 1,841,513	6,596,127

3. Finance costs

	For the Years Ended December 31	
	2014	2013
Interest expenses		
Bank loans	\$ 67,515	9,770
Imputed interests of security deposits	21	19
Capitalized interest	(3,156)	(3,153)
Others	18,831	7,625
	\$ 83,211	14,261

v. Financial Instruments

1. Categories of financial instruments

(1) Financial assets

	December 31, 2014	December 31, 2013	January 1, 2013
Financial assets at fair value through profit or loss	\$ 942,771	1,088,420	606,915
Available-for-sale financial assets	1,533,358	1,592,009	1,246,206
Financial assets carried at cost	1,173,907	1,285,419	687,934
Cash and cash equivalents	10,412,190	8,186,545	5,312,792
Notes receivable, Accounts receivable and Other receivables	2,511,419	2,406,020	3,689,141
Other assets	366,141	29,880	1,231,654
Total	\$ 16,939,786	14,588,293	12,774,642

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(2) Financial liabilities

	December 31, 2014	December 31, 2013	January 1, 2013
Financial liabilities at fair value through profit or loss	\$ 706,549	-	-
Short-term loans	2,564,933	3,386,798	-
Long-term bank loans-current portion	105,000	-	-
Payables	1,963,452	2,261,510	2,983,883
Long-term bank loans	1,595,000	400,000	-
Long-term bills payable	998,793	599,900	-
Bonds Payable	3,843,671	-	-
Other liabilities	514,679	338,792	273,505
Total	\$12,292,077	6,987,000	3,257,388

2. Credit risk

(1) Exposure to credit risk

The carrying amount of financial assets represents the Company's maximum credit exposure. As of December 31, 2014 and 2013, and January 1, 2013, the maximum exposures to credit risk amounted to \$16,939,786, \$14,588,293 and \$12,774,642, respectively.

The sales targets of the Consolidated Company are significantly concentrated in a small number of customers. For the years ended December 31, 2014 and 2013, 74% and 73% of the total amount of accounts receivable is composed of 9 customers.

The "Client credit credit assessment team" in our company has established a credit policy. The team gives credit rating and set credit limits for individual customers by considering most recent financial report audited and certified by a certified public accountant 、rating report provides by external credit institutions. And also consider credit risk of our company 、financial situation 、the overall economic situation at domestic and foreign and the industry conditions 、scale 、publicly traded and credit that the environment client live.

(2) Impairment losses

Aging analysis of the receivables on the reporting date was as follows:

	December 31, 2014		December 31, 2013		January 1, 2013	
	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment
Not past due	\$ 2,561,154	(101,224)	2,501,625	(95,605)	3,784,636	(95,682)
Over 120~365 days	174,991	(123,502)	-	-	-	-
Past due more than 1 year	237,590	(237,590)	237,590	(237,590)	237,590	(237,788)
	\$ 2,973,735	(462,316)	2,739,215	(333,195)	4,022,226	(333,470)

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3. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2014							
Non-derivative financial liabilities							
Accounts payable	\$ 1,547,106	1,547,106	1,547,106	-	-	-	-
Other payables	416,346	416,346	416,346	-	-	-	-
Other financial liabilities — current	202,087	202,087	202,087	-	-	-	-
Other non-current liabilities — other	312,592	312,592	254,853	50,765	4,447	-	2,527
Floating-rate loans	200,000	201,525	201,525	-	-	-	-
Fixed-rate loans	4,064,933	4,096,366	3,378,600	106,215	484,696	126,855	-
Long-term bills payable	998,793	1,000,000	300,000	700,000	-	-	-
Bonds Payable	3,843,671	4,555,820				4,555,820	
Derivative financial liabilities							
Financial liabilities at fair value through profit or loss (convertible bonds-conversion right .et)	706,549	706,549				706,549	
	\$ 12,292,077	13,038,391	6,300,517	856,980	489,143	5,389,224	2,527
December 31, 2013							
Non-derivative financial liabilities							
Accounts payable	\$ 2,053,809	2,053,809	2,053,809	-	-	-	-
Other payables	207,701	207,701	207,701	-	-	-	-
Other financial liabilities — current	231,470	231,470	231,470	-	-	-	-
Other non-current liabilities — Other	107,322	107,322	51,401	53,586	-	-	2,335
Floating-rate loans	855,421	859,020	859,020	-	-	-	-
Fixed-rate loans	2,931,377	2,960,493	2,544,536	3,191	6,383	406,383	-
Long-term bills payable	599,900	600,000	-	600,000			
	\$ 6,987,000	7,019,815	8,947,937	656,777	6,383	406,383	2,335
January 1, 2013							
Non-derivative financial liabilities							
Accounts payable	\$ 2,654,321	2,654,321	2,654,321	-	-	-	-
Other payables	329,562	329,562	329,562	-	-	-	-
Other financial liabilities — current	150,593	150,593	150,593	-	-	-	-
Other non-current liabilities — Other	122,913	122,913	60,799	59,779	-	-	2,335
	\$ 3,257,389	3,257,389	3,195,275	59,779	-	-	2,335

The Consolidated Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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4. Currency risk

(1) Currency risk exposure

The Consolidated Company's exposures to significant currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

	December 31, 2014			December 31, 2013			January 1, 2013			
	Foreign	Exchange		Foreign	Exchange		Foreign	Exchange		
	Currency	rate	NTD	Currency	rate	NTD	Currency	rate	NTD	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	22,174	31.635	701,474	4,850	29.86	186,553	25,581	29,035	742,781
RMB		1,088,257	5.092	5,541,405	302,920	4.930	1,493,396	144	4,620	663
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD	\$	222,853	31.635	7,049,006	41,674	29.86	1,244,380	49,711	29,035	1,443,361
RMB		2,015	5.092	10,260	2,282	4.930	11,260	6,270	4,620	28,985

(2) Sensitivity analysis

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, receivables and payables that are denominated in foreign currency. A 1% of appreciation of the NTD against the USD, EUR, HKD, RMB and YEN as of December 31, 2014 and 2013 would have increased (decreased) net income after tax by \$6,776 and \$(3,522).

5. Interest rate analysis

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For financial instruments bearing floating-rate, the sensitivity analysis assumes the floating-rate liabilities are outstanding for the whole year on the reporting date. The Consolidated Company's internal management reported the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate increases by 1%, the Consolidated Company's net income will decrease by \$2,000 and \$8,554 for the years ended December 31, 2014 and 2013, respectively, assuming all other variable factors remain constant. This is due mainly to the Consolidated Company's borrowings bearing floating interest rate.

6. Fair value

(1) The Consolidated Company considers the carrying amounts of its financial assets and financial liabilities measured at amortized cost to be a reasonable approximation of fair value.

(2) Valuation techniques and assumptions used in fair value determination

The Consolidated Company uses the following methods in determining the fair value of its financial assets and liabilities:

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- A. The fair value of financial assets and liabilities traded in active markets such as stocks from listed entities is based on quoted market prices.
- B. Derivative instrument is quoted prices in active markets. When it can not get quoted prices in active markets, non-option derivatives uses discounted cash flow analysis to calculate the fair value on duration of yield curve; option derivatives uses option pricing models to calculate the fair value.
- C. For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

(3) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

- A. Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- B. Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- C. Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2014				
Financial Assets				
Financial assets reported at fair value through profit or loss	\$ 767,097	-	175,674	942,771
Available-for-sale financial assets	1,533,358	-	-	1,533,358
	<u>\$ 2,300,455</u>	<u>-</u>	<u>175,674</u>	<u>2,476,129</u>
Financial Liabilities				
Financial liabilities reported at fair value through profit or loss—Convertible bonds (conversion right .et)	\$ -	706,549	-	706,549
December 31, 2013				
Financial Assets				
Financial assets reported at fair value through profit or loss	\$ 1,088,420	-	-	1,088,420
Available-for-sale financial assets	1,592,009	-	-	1,592,009
	<u>\$ 2,680,429</u>	<u>-</u>	<u>-</u>	<u>2,680,429</u>
January 1, 2013				
Financial Assets				
Financial assets reported at fair value through profit or loss	\$ 606,915	-	-	606,915
Available-for-sale financial assets	1,246,206	-	-	1,246,206
	<u>\$1,853,121</u>	<u>-</u>	<u>-</u>	<u>1,853,121</u>

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The Consolidated Company's Level 3 Fair value hierarchy was as follows:

	Financial assets reported at fair value through profit or loss
	Original recognized
January 1, 2014	\$ -
Buy	175,674
December 31, 2014	\$ 175,674

w. Financial risk management

1. Overview

The nature and the extent of the Consolidated Company's risks arising from financial instruments, which include credit risk, liquidity risk and market risk, are discussed below. Also, the Consolidated Company's objectives, policies and procedures of measuring and managing risks are discussed below. For more quantitative information about the financial instruments, please refer to other related notes of the notes to the financial statements.

2. Risk management framework

The Board of Directors has overall responsibility for the oversight of the risk management framework in order to develop and monitor the Consolidated Company's risk management policies and to report regularly on its activities.

The Consolidated Company's risk management policies are established to identify and analyse the risks faced by the Consolidated Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Company's activities. The Consolidated Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the Consolidated Company oversees how management monitors compliance with the Consolidated Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Company. The Audit Committee of the Consolidated Company is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

3. Credit Risk

Credit risk means the potential loss of the Consolidated Company if the clients or counterparties involved in that transaction defaults. The primary potential credit risk is from cash and accounts receivable.

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(1) Accounts receivable and other receivables

The Consolidated Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances.

The Consolidated Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Consolidated Company's standard payment and delivery terms and conditions are offered. The Consolidated Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Consolidated Company's benchmark creditworthiness may transact with the Consolidated Company only on a prepayment basis.

The Consolidated Company establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance are specific loss component that relates to individually significant exposure and collective loss component which the loss was incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

(2) Bank deposits

The credit risk exposure in the bank deposits is measured and monitored by the Consolidated Company's finance department. As the Consolidated Company deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Consolidated Company do not have compliance issues and significant credit risk.

4. Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation. The management believes that the Consolidated Company do not have significant liquidity risk.

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5. Market risk

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

The Consolidated Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee.

(1) Currency risk

The Consolidated Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Consolidated Company's entities, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are denominated in NTD, USD and RMB.

The Consolidated Company's currency risk is not hedged as some of the currencies of the Consolidated Company's foreign currency receivables and payables are the same, producing a natural hedge effect.

(2) Interest rate risk

The Consolidated Company's Interest rate risk comes from long-term and short-term bank loans. The long-term bond issued by our company is fixed-rate loan, so there is no risk caused by the fluctuations of interest rates and fair value interest rate. The long-term and short-term bank loans calculated in floating-rate were made our company suffered cash flow interest rate risk, but most of risk were covered by cash and cash equivalents holding in floating-rate.

(3) Other market price risk

The Consolidated Company does not enter into any commodity contracts other than to meet the Consolidated Company's expected usage and sales requirements; such contracts are not settled on the net basis.

x. Capital management

The Consolidated Company meets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, interest of other related parties and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares or sell assets to settle any liabilities.

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The Consolidated Company and other entities in the similar industry use the debt-to-equity ratio to manage capital. This ratio is determined using the total net debt and divided by the total capital. The net debt from the balance sheet are derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity and non-controlling interest plus net debt.

The Consolidated Company's debt to equity ratios at the end of the reporting period as of December 31, 2014 and 2013 were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total liabilities	\$ 24,009,124	17,902,232	15,376,852
Less: cash and cash equivalents	(10,412,190)	(8,186,545)	(5,312,792)
Net debt	<u>\$ 13,596,934</u>	<u>9,715,687</u>	<u>10,064,060</u>
Total equity	<u>\$ 53,419,291</u>	<u>53,099,118</u>	<u>48,708,585</u>
Total liabilities and equity	<u>\$ 67,016,225</u>	<u>62,814,805</u>	<u>58,772,645</u>
Debt to equity ratio	<u>20.29%</u>	<u>15.47%</u>	<u>17.12%</u>

7. RELATED PARTY TRANSACTIONS

a. The ultimate parent company

The Company is the ultimate parent company.

b. Significant Transactions with related parties

1. Sale of Goods and Services to Related Parties

	For the Year Ended December 31	
	2014	2013
Associates	\$ 1,035,459	965,396
Other related parties	15,422	64,535
	<u>\$ 1,050,881</u>	<u>1,029,931</u>

The terms for related party sale transactions were the same as those of other unrelated customers.

2. Purchase of Goods from Related Parties

	For the Year Ended December 31	
	2014	2013
Associates	<u>\$ 245,051</u>	<u>259,419</u>

The terms for related party purchase transactions were the same as those of other unrelated vendors.

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3. Receivables

<u>Accounts</u>	<u>Types of related parties</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>January 1, 2013</u>
Accounts receivable	Associates	\$ 102,484	91,451	104,858
Accounts receivable	Other related parties	-	38,157	42,329
Other receivables	Associates	15,891	20,066	11,023
Other receivables	Other related parties	-	-	9
		<u><u>\$ 118,375</u></u>	<u><u>149,674</u></u>	<u><u>158,219</u></u>

4. Payables

<u>Accounts</u>	<u>Types of related parties</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>January 1, 2013</u>
Accounts payable	Associates	\$ 9,349	21,295	26,216
Accounts payable	Other related parties	-	-	10
Other payables	Associates	4,434	4,390	5,250
Other payables	Other related parties	-	28,633	1,513
		<u><u>\$ 13,783</u></u>	<u><u>54,318</u></u>	<u><u>32,989</u></u>

5. Rental income

	<u>For the Year Ended December 31</u>	
	<u>2014</u>	<u>2013</u>
Associates	\$ 14,664	13,285
Other related parties	-	64
	<u><u>\$ 14,664</u></u>	<u><u>13,349</u></u>

Please refer to Note 6 g. for lease of land and buildings to related parties.

The refundable deposit from related party at December 31, 2014 and 2013, January 1, 2013 all amounted to \$1,500.

6. Other revenues

	<u>For the Year Ended December 31</u>	
	<u>2014</u>	<u>2013</u>
Associates	\$ 34,028	35,602
Other related parties	503	482
	<u><u>\$ 34,531</u></u>	<u><u>36,084</u></u>

Other revenues were income from handling charges derived from related party and compensation as directors, supervisors, etc.

7. On January 15, 1998, the Company signed a one year contract with an associate, under which, the associate provides security service for all of the Company's offices and factories. This agreement is renewable to allow for an extension of the service period. The security service fees paid were \$19,469 and \$19,458 in 2014 and 2013, respectively. The unpaid fees were recognized as other payables.

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8. The Company had contracts with one of other related parties, for mechanical engineering services projects and paid commission on the basis of actual construction. As of December 31, 2014 and 2013, the construction project in-progress amounted to \$242,810 and \$214,000, respectively. As of December 31, 2014 and 2013, the unpaid fee amounted to \$46,685 and 125,531, respectively.
9. In 2014 and 2013, the Company recognized service costs of \$2,220 and \$2,537, respectively, for the services provided by related parties. As of December 31, 2013 and 2012, all payments are paid.
- c. Key management personnel compensation

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	\$ 64,588	64,117
Post-employment benefits	2,732	14,296
	\$ 67,320	78,413

8. PLEDGED ASSETS

The pledged assets were as follows:

Asset	Purpose of pledge	December 31, 2014	December 31, 2013	January 1, 2012
Time deposits	Guarantee for purchases, collateral for long-term and short-term financial credit	\$ 342,446	6,700	1,206,258
Property, plant and equipment	Collateral for long-term and short-term financial credit, United guarantee amount of convertible Bond, lawsuits	2,046,671	646,787	175,783
Investment property	United guarantee amount of convertible Bond	8,065,355	-	-
Investments accounted for using equity method	Long-term bills payable	537,585	-	-
Available-for-sale financial assets – non-current	Long-term bills payable	444,400	396,000	-
Financial assets reported at fair value through profit or loss	Long-term bills payable	452,760	391,600	-
		\$ 11,889,217	1,441,087	1,382,041

As of December 31, 2014, shares of a subsidiary of the Consolidated Company were pledged as collateral for long-term bills payable, equal to 4,000 thousand shares.

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9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- a. As of December 31, 2014 and 2013, January 1, 2013, the Consolidated Company had the following unused letters of credit:

	December 31, 2014	December 31, 2013	January 1, 2013
USD	\$ 3,997,682	24,025	1,570
EUR	7,973	540	-
YEN	-	17,500	-
NTD	1,267,434	1,664,000	-
SGD	180	-	-

- b. As of December 31, 2014 and 2013, January 1, 2013, the Consolidated Company had issued guaranty notes for bank loans, issued Euro-Convertible Bond (ECB), sales and purchases, and development plan aggregating, to \$6,637,660, US\$186,000, CNY\$26,724 and \$7,353,395, US\$ 15,000, respectively.
- c. At December 31, 2014 and 2013, and January 1, 2013, the Consolidated Company had contracts for various construction projects in-progress amounting to \$2,265,324, \$1,433,886 and \$1,987,296, respectively. As of December 31, 2014 and 2013, and January 1, 2013, the remaining future obligations under these contracts amounted to \$1,267,166, \$1,146,301 and \$1,487,753, respectively.
- d. As of December 31, 2014 and 2013, the Company signed an agreement to purchase raw materials such as benzene, hydrogen and methylbenzene from Chinese Petroleum Corporation (CPC). Under this contract, the Company may purchase specified monthly volume of these raw materials at current month prices announced by the Chinese Petroleum Corporation with prepayment or domestic letter of credit.
- e. In December 2013 and February, 2014, the Consolidated Company signed a lease contract with Port of Kaohsiung, Taiwan International Ports Corporation, Ltd. The underlying asset is the land in S12-S15 Port where the petrochemical oil storage and transportation center of Kaohsiung Intercontinental Container Center Phase 2 Project is located. The Consolidated Company invested in building installation for petrochemical oil storage and transportation to facilitate the loading/unloading, storage/transportation operation for import/export. Port of Kaohsiung, Taiwan International Ports Corporation, Ltd. plans to hand over the land to the Consolidated Company before the end of December, 2017. The lease term is 25 years commencing from the date of the hand over of the underlying asset. The Consolidated Company has the right of first re-lease. The annual rent is \$1,650, \$2,565, and \$1,493 commencing from the date of the hand over of the underlying asset; and the annual management fee is \$10,654, \$24,605 and \$12,329 commencing from 3.5 years after the commencement date of the lease term. The Consolidated Company paid time deposits of \$5,000 and \$13,000 as deposits for performance guarantee in December, 2013 and February, 2014, respectively.

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- f. 1. In September, 2005, The Company was ordered by Revenue Service office in Kaohsiung city to change the levy level of the land value tax's rate from the year of 2000. As the Company questioned the statutes adopted by the Revenue Service office in deciding the said tax, the Company filed an administration appeal for tax reinvestigation under Article 35 of the Tax Collection Law. The Supreme Administrative Court dismissed the case. By the end of 2010, the Company has paid all of the administrative remedy tax.
2. According to Article 24 of Tax Collection Law, the Revenue Service office in Kaohsiung city ordered its prohibition on the disposition of part of the Company's said land, but its prohibition was removed in January, 2011.
3. The Company has been prohibited to use 34 parcels of its said land in Chian Jen District, Kaohsiung City because those parcels of the land were declared as Soil Contaminated Site and Soil Polluted Control site by Kaohsiung City Government under the Soil and Groundwater Pollution Remediation Act. The Company applied for land tax exemption and reexamination of the year 2009, 2010, 2011, 2012, 2013 and 2014 according to Article 12 of Land Tax Reduction and Exemption Regulations. The application was rejected for the reason of not conforming to the regulation by Revenue Service office in Kaohsiung city. However, the Company filed a complaint for administrative remedy for those levy of land value taxes, The cases of the levy years 2009, 2010, 2012 were rejected, while other cases are still on trial at the Supreme Administrative Court and Kaohsiung High Administrative Court.
- g. Because The Environmental Protection Administration inspected the soils were still found out the polluting mercury and contained by chemical material produced by the former lessee after the clean-up, Kaohsiung City Government has declared the partial land at Chian Jen Training Center as "Pollution Control Area" in 2006. The Company proceeded with the remediation work and submitted its remediation plan in accordance with the related regulations to the Kaohsiung City Government for reviewing. In July 2009, this remediation plan was officially approved by the Kaohsiung City Government. In addition, the Kaohsiung City Government ordered Taiwan Vcm Corp. to submit a remediation plan as a polluter in September 2009. The Company filed a lawsuit to reimburse the expense paid by the Company, on behalf of Taiwan Vcm Corp. The Shihlin District Court's ruling was in favor of the Company and demanded TVC should reimburse the Company in the amount of \$14,885 with the yearly interest of 5% from July 3, 2002 and 35% of litigation fees. Both Parties reached a settlement on January 26, 2015 and the case was settled. The possible impact of the said land pollution is discussed further in Note 6 h.
- h. The Tainan City Government and the Environmental Protection Administration declared the land at An-Shun site as Soil Pollution Control site and Soil Pollution Contaminated Site. In cooperation with the control and management procedure of the concerning authority, the Company is seeking a legitimate solution for both administrative and legal remedy. On June 30, 2008, the Company submitted a remediation project proposal to the Tainan City Government for reviewing under the current law but the Tainan City Government noted that the remediation project proposal did not conform to the Soil and Groundwater Pollution Remediation Act. The Company was requested to provide a revised project proposal before October 18, 2008. Therefore, the Company re-submitted a revised version of remediation project proposal to the Tainan City Government before October 18, 2008 for further reviewing. The remediation project proposal was approved by the Tainan City Government in May,

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2009. The Company applied a first reversion of the approved remediation project was approved on July 2, 2012. The first stage of remediation has completed in September 2014. For the following 10 years of the second stage, the Tainan City Government has replied its “approval” for the second reversion of the remediation project in an official notification on December 24, 2014 and now it is under public reviewing under the law. The possible impact of the said land’s pollution is discussed further in Note 6 h.

- i. 1. The Company’s four parcels of land # 540,541,543, Dongshan section, and #489 Weiwang section of Shulin Dist., New Taipei City were the original location of TAIC’s Shulin plant land. TAIC was established in 1962, and closed in 1975 and subsequently sold to the Chinese Petroleum Corporation (CPC). On August 16, 2010, the Environmental Protection Department, New Taipei City Government has declared that such land as “Soil Pollution Control Site”.
2. In April 1983, MOEA, Executive Yuan demanded the Company, which was a subsidiary of the state-owned enterprises, CPC to merge with TAIC. In the No. 1000010000 letter dated March 2011 which was issued by the Environmental Protection Department, New Taipei City Government, it addressed that the Company as the surviving entity, the rights and obligations of TAIC ceasing to exist after merger shall be assumed by the Company under the Article 75 of the Companies Act. The Company was therefore legally identified as the polluter and was required to submit a remedial measuring plan.
3. Under the No. 1001001329 an administrative ruling dated August 2011 which was issued by the Environmental Protection Department, New Taipei City Government, the Company was required to complete its investigation and propose a pollution control plan to the Environmental Protection Department, New Taipei City Government for approval and adopt its implementation. Following the said merger with Taiwan Alkali Company, from the government’s mandate, the Company itself has never had any act of production, operation, development, use and neither initiated any other to cause pollution. The Company objected with the identification of being “the polluter” and filed a complaint for administration remedy in August 2011. In August 2012, the decision of Taipei High Administration Court was in favor of the Company, but the Environmental Protection Department, New Taipei City Government appealed to the Supreme Administrative Court, which ruled to remand to Taipei High Administration Court. The Taipei High Administration Court dismissed the Company’s complaint and the Complaint filed an interlocutory appeal relief in December 2013. but was also rejected by the Supreme Administrative Court in January, 2015. On February 6, 2015. The Company filed a case for retrial. The Environmental Protection Department, New Taipei City Government also ordered the Company to complete the investigation and the draft of pollution control plan for its reviewing before February 26, 2013. In compliance with the law, the Company submitted its Soil Pollution Control Plan for TAIC Shulin Plant (Partial Site) to the Environmental Protection Department, New Taipei City Government. Moreover, the Company filed a claim of ceasing the plan execution before the court clarifies an administrative ruling. The claim was dismissed by the Supreme Administrative Court.

In 2011, according to the relevant provisions of the Financial Accounting Standards, the Company estimated and accrued relevant remediation expenses of \$273,750. The aforementioned remediation costs of the Company were evaluated and recognized based on the current situation. Further evaluation and adjustment should be made thereon if there

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will be any change in internal or external factors that will cause a significant difference in the overall remediation costs.

- j. Due to Business Today's false report, the Company filed libel complaints in prosecutor's office and filed a private prosecution in district court against Business Today. After investigation by the prosecution office, while the private prosecution was dismissed by the Taipei District Court in September 2012 for first instance. In October 2012, the Company filed an appeal but such appeal was rejected and no further appeal was allowed by the Taipei High Court in January 2013.
- k. On May 28, 2012, Tainan City Government issued an administrative ruling to require the Company to complete the fences in buffer zones and erection of notification sign, and submit buffer zones management plan within certain period according to Soil and Groundwater Pollution Remediation Act. In June 2012, the Company submitted a motion to object and filed an administrative remedy with the Environmental Protection Administration. In June 2012, the aforesaid remedy was rejected by the Environmental Protection Administration. The Company filed an administrative complaint against Tainan City government but Kaohsiung Administrative High Court dismissed the case. On April 29, 2014, the Company filed an administrative litigation which is still on trial by the Supreme Administrative Court.
- l. Under the Company's agreement with the Residents Service Committee of Tai Jian New Village (the Committee), the Company's land, located at Xin-jia section, Fongshan Dist., Kaohsiung City was intended for public use without any consideration. Now the land was occupied by the residents of 1st Floor with illegal constructions. In compliance of the duty of fiduciary and the Company's principle of asset management, The Company had communicated with the Committee and the residents of 1st Floor but to no avail. Therefore, the Company filed a lawsuit against the Committee to ask for the removal of the illegal construction and for return the Company's land in breach of the contract, but was rejected by Taiwan Kaohsiung District Court. The Company appealed this lawsuit to the Kaohsiung High Court and this case is still on trial.
- m. Dashe Public safety case

On May 12, 2014, a technician of the Company was sent to the hospital for emergency aid because he exposed himself to acrylonitrile during the filling operations in warehouse of Dashe plant, and passed away the next day unfortunately. On June 10, 2014, the Company reached an amicable settlement with the technician's family who accepted the compensation according to the Company's compensation policy and the Labor Law. In return, the technician's family promised that they will not file any lawsuits against the Company on this matter. On December 3, 2014, the on-site managers agreed to Deferred Prosecution for one year with prosecutor office.

- n. Pipeline-cutoff of 2014 Kaohsiung gas explosions
On July 31, 2014, a series of gas explosion occurred in Kaohsiung City, following reports of gas leaks earlier that night. Although such gas explosion did not cause any damage to the propylene supply pipelines of the Company, the Kaohsiung City Government ordered that prohibits the use of all petrochemical pipelines in the area where the gas explosion happened commencing from August 5, 2014, and requires to vest out all the petrochemical raw materials in the pipelines. The order of prohibition issued by Kaohsiung City Government for using

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those pipelines resulted in a decrease in the Company's operating revenue by \$36,000 because the production capacity of acrylonitrile decreased slightly in the week after the explosion in order to vent out the propylene in the pipelines where the explosion occurred. To overcome such losses, the Company then increased the frequency of the delivery of propylene by using the propylene tank cars for transporting it so that stock volume of propylene is sufficient for production. Furthermore, in order to cooperate with the disaster relief operations and public safety under the order by Kaohsiung City Government, the Company vested out the propylene pipelines of the Company with all propylene raw materials and the clearing operation resulted in damaged to propylene pipelines and disposal loss of \$11,000.

On August 18, 2014, Kaohsiung City Government required the Company to cooperate with the removal of the pipelines in disaster area, which are prohibited to use. The Water Resources Bureau, Kaohsiung City Government executed the compulsory cut-off of the Company's pipelines. In September 2014, the Company filed for an administrative appeal to rescind the order and claim those pipelines belonging to the Company. This case is still being reviewed by the Taiwan Executive Yuan.

- o. The Annulment of the license of construction work of roads and the underground pipelines in Kaohsiung City

Due to 2014 Kaohsiung gas explosions, The Water Resources Bureau, Kaohsiung City Government revoked the license to bury supply pipeline of the vendor of the Company, Taiwan Chinese Petroleum Corporation, even if the Kaohsiung explosion was caused by some poor pipelines belonging to the other company. Part of the pipelines of the Company was built up by Taiwan Chinese Petroleum Corporation. In September 2014, as an interested party, the Company filed an administrative petition to the petition review committee of Kaohsiung City Government to rescind the order and this case is still on trial by the petition review committee of Kaohsiung City Government.

- p. The Contract Fraud by Shanghai Tongye Coal Chemical Group Co. Ltd.

The consolidated subsidiaries, Weihua (Rudong) Trade Co., Ltd. and Weiqiang International Trade (Shanghai) Co., Ltd., filed civil complaints at the Shanghai YangPu District Court to claim for payment of the contract arrears from Shanghai Tongye Coal Chemical Group Co. Ltd. On August 18, 2014, these subsidiaries signed a compromise settlement agreement with Shanghai Tongye Coal Chemical Group Co. Ltd., under which, Shanghai Tongye Coal Chemical Group Co. Ltd. has committed to pay the first installment payment on September 1, 2014 but failed to comply. Therefore, these consolidated subsidiaries applied to take the enforcement action to seal coal tar stock of Shanghai Tongye Coal Chemical Group Co. Ltd. Furthermore, the consolidated subsidiaries also reported the crime of fraud case against Shanghai Tongye Coal Chemical Group Co. Ltd. to the police and this case is still under investigation by the prosecutor.

- q. Accusation of Negligence

On January 28, 2013, a chemical explosion occurred at the factory site of Heng-I Chemical Inc. where is next to the Company's ToFu Site. The injured workers of Heng-I filed a complaint of negligence in injury against Heng-I and the Company. Due to the incidence happening at the public drain of the Industrial park, one injured worker accused that some chemical substance

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in the waste water in the public drains discharged by Heng-I and the Company were higher than the government's standard, thus filed a complaint against the Company's managing officials of both companies. After Miaoli Prosecution Officer issued a non-prosecutorial disposition to this criminal complaint, the injured worker applied for reconsideration of the ruling and the Prosecution office of Taichung High Court returned to the Miaoli Prosecution Officer for investigation. In February 2015, the injured worker filed a civil lawsuit against the Company and the relating the Company's managing officials for seeking the negligent compensation in the amount of \$6,920 in Maioli Dist. Court.

r. Executive Officers Seeking for Pension Reimbursement

Since two executive officers of the Company quitted office without delivering over to their successors all rolls and whit from July 1, 2013, the Company's board submitted a letter of removal on October 1, 2013 after their failure of commerce of the contract of mandate. The two executive officers demanded the Company to reimburse their pension in claiming their qualification of labor under the Labor law. After the failure of mediation, they filed civil complaints in Taipei and Kaohsiung district court in January 2014. Two cases are still at trial.

s. Other cases of Labor Standard Act

After the commencement of labor inspection to the Company's Siaogang site in January 2013, the Labor Affairs Bureau of Kaohsiung City Government claimed it was against the Labor Standard Law that the Company's calculation standard of some worker's overtime pay was not included overtime allowance, meal allowance, shift disturbance and nightshift allowance. On May 2013, the Company was received a fine in the said reason by the competent authority. Because the changing of the Company's calculation standard of overtime pay, it will bring a major influence of the Company's cost of salary expense. After filing an administration appeal but being overruled by the Kaohsiung City Government, the Company filed a complaint in Kaohsiung Administration High Court. This case is still at trial.

t. An-Shun Dorm designated as Cultural Heritage

The Company owns the old Tainan Factories Dorms established by Japanese company Kanegafuchi Soda designated as municipal Cultural Heritage by Tainan City Government in the order of 1031053448A on November 17, 2014. The Company filed an objection against this administration order and filed an appeal. This case is under the reviewing by Culture Bureau of Tainan City Government

u. The consolidated subsidiaries, China Twin Star Development Co. Ltd. and BES Engineering Inc. jointly applied the public tender for the Joint Development Investment Plan for C1- DI Zone in Taipei City. The Department of Rapid Transit System of Taipei City Government unexpectedly notified the said company the tender cancel in the unreasonable reviewing decision that the said company cannot provide a banks' credit guarantee in full amount of development fund within 30 days. China Twin Star Development Co. Ltd filed an administration appeal and a complaint in Taipei Administration High Court.

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10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS: None.

12. OTHER

a. The nature of operating costs and expenses were as follows:

By function By nature	For the year ended December 31,2014				For the year ended December 31,2013			
	Operating cost	Operating expense	Non-Operating expense	Total	Operating cost	Operating expense	Non-Operating expense	Total
Employee benefit								
Salary	816,893	274,067	931	1,091,891	789,147	270,588	2,358	1,062,093
Health and labor insurance	88,369	25,395	125	113,889	87,043	23,669	315	111,027
Pension	50,063	11,767	50	61,880	60,053	16,449	166	76,668
Others	22,680	5,805	31	28,516	22,234	5,636	76	27,946
Depreciation	1,895,221	102,749	65,879	2,063,849	1,868,783	66,833	251	1,935,542
Depletion	-	-	-	-	-	-	-	-
Amortization	3,990	3,531	-	7,521	3,652	6,214	-	9,866

13. SEGMENT INFORMATION

a. General Information

The Consolidated Company identifies Arylonitrile & acetic acid department and Caprolactam department as reportable segments based on factors such as product types, manufacturing procedure, customer types, and operating activities.

The reportable segments of the Consolidated Company are independent business units which offer different products and services. Each business unit needs different technologies, resources and marketing strategies, thus should administer separately. The operating segment has a segment manager who is directly accountable to and maintains regular contact with the chief operating decision maker to discuss operating activities, financial results, forecasts, or plans for the segment.

Non-operating income and loss, income tax expense and non-recurring gain or loss is not allocated to reportable segments. In addition, not all of the profit or loss of the reportable segments include significant non-cash items other than depreciation and amortization. Total reportable segments' profit or loss is reconciled with the continuing operations' profit or loss before tax.

b. Information for each segment's revenue / expense, asset, liability, measurement basis , and adjustment

There was no material inconsistency between the accounting policies adopted for the operating segment and the accounting policies described in Note 4. The Consolidated Company use the operating profit as the measurement for segment profit and the basis of performance assessment. Operating segments' profit and loss and total assets exclude operating expenses and assets of the corporate management.

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	Acrylonitrile & Acetic Acid	Caprolactam	Other	Adjustment and eliminations	Total
For the Year Ended December 31, 2014					
Revenue					
Revenues from external customers	\$ 13,073,328	17,380,752	2,795,402	-	33,249,482
Revenues from transactions with other operating segments of the same entity	-	-	479,068	(479,068)	-
Total segment revenue	<u>\$ 13,073,328</u>	<u>17,380,752</u>	<u>3,274,470</u>	<u>(479,068)</u>	<u>33,249,482</u>
Depreciation and amortization	<u>\$ 190,752</u>	<u>1,776,546</u>	<u>104,072</u>	<u>-</u>	<u>2,071,370</u>
Reported segment profit or loss	<u>\$ 932,933</u>	<u>(3,710,052)</u>	<u>3,129,711</u>	<u>-</u>	<u>352,592</u>
Assets					
Capital expenditure of non-current assets	<u>\$ 111,893</u>	<u>335,341</u>	<u>968,671</u>	<u>-</u>	<u>1,415,905</u>
Segment assets	<u>\$ 5,965,102</u>	<u>20,319,934</u>	<u>51,143,379</u>	<u>-</u>	<u>77,428,415</u>
Segment liabilities	<u>\$ 2,660,510</u>	<u>4,857,629</u>	<u>16,490,985</u>	<u>-</u>	<u>24,009,124</u>
For the Year Ended December 31, 2013					
Revenue					
Revenues from external customers	\$ 11,686,571	20,440,259	3,211,711	-	35,338,541
Revenues from transactions with other operating segments of the same entity	-	-	459,904	(459,904)	-
Total segment revenue	<u>\$ 11,686,571</u>	<u>20,440,259</u>	<u>3,671,615</u>	<u>(459,904)</u>	<u>35,338,541</u>
Depreciation and amortization	<u>\$ 130,712</u>	<u>1,660,622</u>	<u>154,074</u>	<u>-</u>	<u>1,945,408</u>
Reported segment profit or loss	<u>\$ 208,463</u>	<u>(1,632,427)</u>	<u>6,743,625</u>	<u>-</u>	<u>5,319,661</u>
Assets					
Capital expenditure of non-current assets	<u>\$ 98,520</u>	<u>533,204</u>	<u>637,129</u>	<u>-</u>	<u>1,268,853</u>
Segment assets	<u>\$ 5,688,367</u>	<u>20,369,430</u>	<u>44,943,553</u>	<u>-</u>	<u>71,001,350</u>
Segment liabilities	<u>\$ 2,921,219</u>	<u>5,282,618</u>	<u>9,698,395</u>	<u>-</u>	<u>17,902,232</u>

b. Geographical Areas

The Consolidated Company's noncurrent assets located overseas are immaterial. Revenues from domestic and overseas customers for 2014 and 2013 were as follows:

Region	For the Years Ended December 31	
	2014	2013
Operating revenue from domestic sales	\$ 26,974,691	30,032,601
Asia	6,246,034	4,213,718
Other (individual area under 10%)	28,757	1,092,222
Total operating revenue	<u>\$ 33,249,482</u>	<u>35,338,541</u>

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c. Major Customers

Customers generating over 10% of total revenue for 2014 and 2013 were as follows:

Customers	For the Years Ended December 31	
	2014	2013
1001	\$ 4,821,216	4,617,292
1019	4,614,078	4,696,136
1018	4,059,158	4,875,140

China Petrochemical Development Corporation



Chairman: Ching-Jing Sheen

