

**FARGLORY LAND DEVELOPMENT CO.,  
LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2014 AND 2013**

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



資誠

## REPORT OF INDEPENDENT ACCOUNTANTS

To Farglory Land Development Co., Ltd.

We have audited the consolidated balance sheets of Farglory Land Development Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years then ended. We did not audit the 2013 financial statements of Straits Construction Investment (Holdings) Ltd. ( "Straits Construction") and Hua-Xiong Information Technology Co. LTD. ( "Hua- Xiong" ), both long-term investments accounted for under the equity method. Those financial statements were audited by other auditors whose reports thereon were furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements relating to Straits Construction and Hua-Xiong, is based solely on the reports of other auditors. These long-term investments amounted to NT\$3,786,621 thousand constituting 4.5% of the consolidated total assets as of December 31, 2013 and the related investment income amounted to NT\$6,509 thousand constituting 0.1% of the related consolidated income from continuing operations before income tax for the year then ended.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Farglory Land Development Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended, in conformity with the "Rules

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資誠

Governing the Preparation of Financial Statements by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

As described in Note 9(1), the Taoyuan City Government terminated “the construction contract of Bade City” agreement and confiscated the performance guarantee of NT\$129,500 thousand. Farglory Land Development Co., Ltd. has recognised the full amount as losses and filed an objection against Taoyuan City Government.

We have also audited the parent company only financial statements of Farglory Land Development Co., Ltd. as of and for the years ended December 31, 2014 and 2013, and have expressed modified unqualified opinions on such financial statements.

*PricewaterhouseCoopers, Taiwan*

PricewaterhouseCoopers, Taiwan


March 30, 2015

Taipei, Taiwan

Republic of China

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

  
**FARGLORY LAND DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**  
 (Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2014		December 31, 2013	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 2,368,089	2	\$ 409,160	-
Financial assets at fair value through profit or loss - current	6(2)	10	-	13	-
Notes receivable, net		89,221	-	143,165	-
Notes receivable - related parties	7	-	-	21,610	-
Accounts receivable, net	6(3)	597,439	1	107,615	-
Accounts receivable - related parties	7	710,376	1	486,131	1
Receivables from customers on construction contracts	6(5)	163,538	-	163,371	-
Current income tax assets		-	-	50,830	-
Inventories, net	6(4) and 8	71,656,156	75	57,860,834	68
Prepayments	6(6)	3,466,415	4	3,417,455	4
Other current financial assets-current	6(7), 7 and 8	5,798,624	6	8,157,671	10
Other current assets, others		103,013	-	117,409	-
<b>Total current assets</b>		<u>84,952,881</u>	<u>89</u>	<u>70,935,264</u>	<u>83</u>
<b>Non-current assets</b>					
Financial assets carried at cost - non-current	6(8)	317,494	-	317,744	1
Investments accounted for under equity method	6(9) and 8	8,185,265	9	3,907,504	5
Property, plant and equipment, net	6(10)	40,553	-	1,658,384	2
Investment property, net	6(11) and 8	2,112,538	2	7,914,757	9
Intangible assets		-	-	18,172	-
Deferred income tax assets		54,861	-	45,043	-
Other non-current assets-other	6(12) and 8	203,721	-	232,211	-
<b>Total non-current assets</b>		<u>10,914,432</u>	<u>11</u>	<u>14,093,815</u>	<u>17</u>
<b>Total assets</b>		<u>\$ 95,867,313</u>	<u>100</u>	<u>\$ 85,029,079</u>	<u>100</u>

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**FARGLORY LAND DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**  
 (Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2014		December 31, 2013	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Short-term borrowings	6(13)	\$ 27,205,984	28	\$ 19,253,242	23
Commercial papers payable	6(14)	1,584,375	2	1,193,380	1
Financial liabilities at fair value through profit or loss - current	6(15)	138,949	-	87,328	-
Notes payable		227,385	-	1,714,377	2
Accounts payable		8,583,839	9	6,370,384	7
Accounts payable - related parties	7	667,075	1	372,960	-
Payables to customers on construction contracts	6(5)	13,304	-	5,467	-
Other payables	6(16)	980,443	1	1,019,151	1
Other payables - related parties	7	701,970	1	1,558,747	2
Current income tax liabilities		482,507	-	454,402	1
Advances from customers	6(17)	11,057,061	12	8,974,232	11
Other current liabilities, others	6(18)(19)	2,141,760	2	203,727	-
<b>Total current liabilities</b>		<u>53,784,652</u>	<u>56</u>	<u>41,207,397</u>	<u>48</u>
<b>Non-current liabilities</b>					
Bonds payable	6(18)	-	-	1,812,585	2
Long-term borrowings	6(19)	1,964,534	2	4,969,398	6
Provisions for liabilities - non-current	6(21)	207,755	1	208,266	1
Deferred income tax liabilities	6(9) and 7	111,642	-	45,828	-
Other non-current liabilities		174,988	-	165,538	-
<b>Non-current liabilities</b>		<u>2,458,919</u>	<u>3</u>	<u>7,201,615</u>	<u>9</u>
<b>Total Liabilities</b>		<u>56,243,571</u>	<u>59</u>	<u>48,409,012</u>	<u>57</u>
<b>Equity attributable to owners of parent</b>					
<b>Share capital</b>	6(22)				
Common stock		8,354,332	9	8,354,332	10
<b>Capital surplus</b>	6(23)				
Capital surplus		8,920,740	9	8,848,469	11
<b>Retained earnings</b>	6(24)(30)				
Legal reserve		5,254,837	6	4,585,393	5
Unappropriated earnings		16,685,118	17	13,596,873	16
<b>Other equity</b>					
Other equity interest		400,235	-	215,549	-
<b>Equity attributable to owners of the parent</b>		<u>39,615,262</u>	<u>41</u>	<u>35,600,616</u>	<u>42</u>
<b>Non-controlling interest</b>		<u>8,480</u>	<u>-</u>	<u>1,019,451</u>	<u>1</u>
<b>Total equity</b>		<u>39,623,742</u>	<u>41</u>	<u>36,620,067</u>	<u>43</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>	9				
<b>Significant events after the balance sheet date</b>	11				
<b>Total liabilities and equity</b>		<u>\$ 95,867,313</u>	<u>100</u>	<u>\$ 85,029,079</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.  
 See report of independent accountants dated March 30, 2015.

  
**FARGLORY LAND DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**  
 (Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Notes	Years ended December 31			
		2014		2013	
		AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>	6(25) and 7	\$ 17,824,201	100	\$ 25,117,622	100
<b>Operating costs</b>	6(4)(29) and 7	( 11,028,415)	( 62)	( 15,255,847)	( 61)
<b>Gross profit</b>		6,795,786	38	9,861,775	39
Realized gain from sales	6(9)	59,704	-	-	-
<b>Net gross profit</b>		6,855,490	38	9,861,775	39
<b>Operating expenses</b>	6(29) and 7				
Selling expenses		( 854,100)	( 5)	( 1,252,308)	( 5)
General & administrative expenses		( 664,703)	( 3)	( 671,912)	( 3)
<b>Total operating expenses</b>		( 1,518,803)	( 8)	( 1,924,220)	( 8)
<b>Other profit and loss, net</b>	6(11)	523,476	3	( 31,028)	-
<b>Operating profit</b>		5,860,163	33	7,906,527	31
<b>Non-operating income and expenses</b>					
Other income	6(26)	117,914	1	37,897	-
Other gains and losses	6(8)(9)(15)(27)				
	and 9	( 257,319)	( 2)	( 109,099)	-
Finance costs	6(28)	( 98,388)	( 1)	( 132,774)	( 1)
Share of profit of associates and joint ventures accounted for under equity method	6(9)	479,152	3	11,497	-
<b>Total non-operating income and expenses</b>		241,359	1	( 192,479)	( 1)
<b>Profit before income tax</b>		6,101,522	34	7,714,048	30
Income tax expense	6(30)	( 1,124,439)	( 6)	( 1,038,419)	( 4)
<b>Profit for the year</b>		\$ 4,977,083	28	\$ 6,675,629	26

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**FARGLORY LAND DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**  
 (Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Notes	Years ended December 31			
		2014		2013	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>					
Cumulative translation differences of foreign operations		\$ 76,714	-	\$ 15,000	-
Actuarial gain on defined benefit plan		5,049	-	-	-
Share of other comprehensive income 6(9) of associates and joint ventures accounted for under equity method		145,800	1	201,000	1
Income tax relating to the components 6(30) of other comprehensive income		( 38,686)	-	( 36,720)	-
<b>Total comprehensive income for the year, net of tax</b>		<u>\$ 188,877</u>	<u>1</u>	<u>\$ 179,280</u>	<u>1</u>
<b>Total comprehensive income for the year</b>		<u>\$ 5,165,960</u>	<u>29</u>	<u>\$ 6,854,909</u>	<u>27</u>
<b>Profit (loss) , attributable to:</b>					
Owners of the parent		\$ 5,006,639	28	\$ 6,694,437	26
Non-controlling interest		( 29,556)	-	( 18,808)	-
		<u>\$ 4,977,083</u>	<u>28</u>	<u>\$ 6,675,629</u>	<u>26</u>
<b>Comprehensive income (loss) attributable to:</b>					
Owners of the parent		\$ 5,195,524	29	\$ 6,873,717	27
Non-controlling interest		( 29,564)	-	( 18,808)	-
		<u>\$ 5,165,960</u>	<u>29</u>	<u>\$ 6,854,909</u>	<u>27</u>
<b>Basic earnings per share</b>					
<b>Total basic earnings per share</b>	6(31)	<u>\$</u>	<u>5.99</u>	<u>\$</u>	<u>8.66</u>
<b>Diluted earnings per share</b>					
<b>Total diluted earnings per share</b>	6(31)	<u>\$</u>	<u>5.86</u>	<u>\$</u>	<u>8.38</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 30, 2015.



**FARGLORY LAND DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Notes	Equity attributable to owners of the parent							Total	Non-controlling interest	Total equity
	Retained Earnings				Cumulative translation differences of foreign operations	Total	Non-controlling interest			
	Common stock	Capital surplus, additional paid-in capital	Legal reserve	Unappropriated earnings						
<b>2013</b>										
Balance at January 1	\$ 7,714,332	\$ 6,288,469	\$ 4,104,470	\$ 10,088,782	\$ 36,269	\$ 28,232,322	\$ 583,345	\$ 28,815,667		
Issuance of common stock through cash infusion	640,000	2,560,000	-	-	-	3,200,000	-	3,200,000		
Appropriation of 2012 earnings:										
Legal reserve	-	-	480,923	( 480,923 )	-	-	-	-		
Cash dividends	-	-	-	2,700,016	-	( 2,700,016 )	-	( 2,700,016 )		
Net income for the year	-	-	-	6,694,437	-	6,694,437	18,808	6,675,629		
Adjustments for change in shareholding percentage in investee companies	-	-	-	-	179,280	179,280	-	179,280		
Increase in non-controlling interests	-	-	-	-	-	-	-	-		
Distribution of cash dividends by the consolidated subsidiary	-	-	-	( 5,407 )	-	( 5,407 )	6,436	1,029		
Balance at December 31	\$ 8,354,332	\$ 8,848,469	\$ 4,585,393	\$ 13,596,873	\$ 215,549	\$ 35,600,616	\$ 1,019,451	\$ 36,620,067		
<b>2014</b>										
Balance at January 1	\$ 8,354,332	\$ 8,848,469	\$ 4,585,393	\$ 13,596,873	\$ 215,549	\$ 35,600,616	\$ 1,019,451	\$ 36,620,067		
Appropriation of 2013 earnings:										
Legal reserve	-	-	669,444	( 669,444 )	-	-	-	-		
Cash dividends	-	-	-	1,253,149	-	( 1,253,149 )	-	( 1,253,149 )		
Net income for the year	-	-	-	5,006,639	-	5,006,639	29,556	4,977,083		
Adjustments for change in shareholding percentage in investee companies	-	-	-	4,199	184,686	188,885	8	188,877		
Increase in non-controlling interests	-	-	-	-	-	-	-	-		
Disposal of subsidiaries	-	72,271	-	-	-	72,271	72,271	72,271		
Balance at December 31	\$ 8,354,332	\$ 8,920,740	\$ 5,254,837	\$ 16,685,118	\$ 400,235	\$ 39,615,262	\$ 8,480	\$ 39,623,742		

The accompanying notes are an integral part of these consolidated financial statements.  
 See report of independent accountants dated March 30, 2015.

FARGLORY LAND DEVELOPMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

(Expressed in thousands of New Taiwan dollars)


	Notes	Years ended December 31	
		2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Consolidated profit before tax for the year		\$ 6,101,522	\$ 7,714,048
Adjustments to reconcile profit before tax to net cash (used in) provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(29)	43,753	40,154
Amortization	6(29)	8,860	1,028
Net loss (gain) on financial assets at fair value through profit or loss	6(27)	55,661	31,779
Gain on disposal of financial assets measured at cost	6(8)	( 4,236 )	-
Loss on disposal of investments		15,514	-
Share of profit of associates and joint ventures accounted for under equity method	6(9)	( 479,152 )	( 11,497 )
Interest expense	6(28)	98,388	132,774
Interest income	6(26)	( 10,594 )	( 9,402 )
(Gain) loss on disposal of investment property		( 523,476 )	31,028
Impairment loss on financial assets		-	12,185
Loss on repurchase of bonds payable		3,089	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current		373	2,114,632
Notes receivable, net		53,944	107,280
Notes receivable - related parties		21,610	( 21,610 )
Accounts receivable, net		( 489,824 )	380,555
Accounts receivable - related parties		( 224,245 )	( 436,518 )
Receivables from customers on construction contracts		( 167 )	( 79,044 )
Inventories		( 13,422,924 )	( 11,162,073 )
Prepayments		( 393,339 )	( 1,332,591 )
Other financial assets-current		( 660,696 )	( 2,250,980 )
Other current assets		14,296	14,168
Net changes in liabilities relating to operating activities			
Notes payable		( 1,460,651 )	1,588,748
Accounts payable		4,362,088	1,386,981
Accounts payable - related parties		630,065	216,338
Payables to customers on construction contracts		7,837	5,467
Other payables		17,813	583,983
Other payables- related parties		( 856,771 )	1,462,854
Provisions for liabilities - non-current		( 511 )	( 1,101 )
Advances from customers		2,082,829	718,143
Other current liabilities		103,549	124,227
Other non - current liabilities		1,149	863
Cash (used in) generated from operations		( 4,904,246 )	1,362,419
Interest received		10,594	9,402
Interest paid		( 923,664 )	( 707,392 )
Income taxes paid		( 1,028,238 )	( 1,387,390 )
Net cash used in operating activities		( 6,845,554 )	( 722,961 )

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**FARGLORY LAND DEVELOPMENT CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**  
 (Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2014	2013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) decrease in other financial assets-current		(\$ 13,873 )	\$ 1,003,855
Acquisition of property, plant and equipment	6(34)	( 1,475,404 )	( 567,369 )
Acquisition of investment property	6(34)	( 5,357,254 )	( 2,159,423 )
Proceeds from disposal of investment property	6(11)	913,879	21,281
Acquisition of investments accounted for under equity method		( 180,000 )	( 124,113 )
Proceeds from disposal of financial assets measured at cost	6(8)	4,486	-
Dividends received		42,300	-
Proceeds from disposal of subsidiaries – net cash		5,326	-
Decrease in other non-current assets		30,170	7,117
Net cash used in investing activities		( 6,030,370 )	( 1,818,652 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in short-term borrowings		7,952,742	( 2,387,192 )
Increase in commercial papers payable		390,995	918,721
Repayment in long-term borrowings		( 60,000 )	( 40,000 )
Increase in long-term borrowings		3,370,000	2,750,000
Repayment of corporate bonds	6(18)	( 49,985 )	-
Increase (decrease) in other current liabilities		544	( 14,315 )
Changes in non-controlling interests	6(32)	4,406,992	451,029
Payment of cash dividends		( 1,253,149 )	( 2,701,538 )
Proceeds from issuance of common stock		-	3,200,000
Net cash provided by financing activities		14,758,139	2,176,705
Effect of exchange rate changes on cash and cash equivalents		76,714	15,000
Increase (decrease) in cash and cash equivalents		1,958,929	( 349,908 )
Cash and cash equivalents at beginning of year		409,160	759,068
Cash and cash equivalents at end of year		\$ 2,368,089	\$ 409,160

The accompanying notes are an integral part of these consolidated financial statements.  
 See report of independent accountants dated March 30, 2015.

  
FAGLORY LAND DEVELOPMENT CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Farglory Land Development Co., Ltd. (the “Company”) was incorporated under the provisions of the Company Law of the Republic of China (“ROC”) in August 1978. The Company’s shares were transferred to be traded on the Taiwan Stock Exchange on August 6, 2007. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in selling and leasing commercial buildings, public housing constructed by commissioned construction contractors, investing in construction of public construction and development of specialised fields.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

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

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

A. IAS 19 (revised), 'Employee benefits'

The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service cost will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows.

The Group expected to recognise previously unrecognised past service cost and as a consequence of elimination of the corridor approach to recognise prior unrecognised actuarial losses by increasing accrued pension liabilities by \$1,167 and \$905 and decreasing retained earnings by \$1,167 and \$1,167 at January 1, 2014 and December 31, 2014, respectively; operating expenses would be decreased by \$148, other comprehensive income would be

increased by \$137 and income tax relating to components of other comprehensive income would be decreased by \$23 for the year ended December 31, 2014.

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
'Investment Entities: Applying the Consolidation Exception' (IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure Initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

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

## B. Critical accounting estimates and assumptions

The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

### (3) Basis of consolidation

#### A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%)	
			December 31, 2014	December 31, 2013
Farglory Land Development Co., Ltd.	Farglory Construction Co., Ltd.	Construction contractor for both domestic and foreign civil works as well as hydraulic works	99.5	99.47
	Fareast Chuanfu (Chengdu ) Co., Ltd.	Real estate development and construction	100	100.00
Farglory Land Development Co., Ltd. Farglory Construction Co., Ltd.	Farglory Dome Co., Ltd.	Public works and specific area development and construction	Note	76.77

Note: Farglory Dome Co., Ltd. (Farglory Dome) increased capital by issuing new shares. The Company and its subsidiary – Farglory Construction Co., Ltd. did not acquire shares proportionately, and the Company’s direct and indirect voting rights in Farglory Dome decreased to 39.66% and control was lost. Details are provided in Note 6(9). Details of cash flow information on the subsidiary are provided as supplementary information in Note 6(34), “Non-cash transaction”.

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

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

E. The restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or jointly controlled entity, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

#### (5) Classification of current and non-current items

Consolidated entities are engaged in constructing buildings or selling plants by commissioned construction contractors and contracting construction services, and the normal operating cycle is usually more than one year. The assets and liabilities relating to construction are classified as current and non-current items based on the operating cycle. The classification for other assets and liabilities is as follows:

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

(7) Financial assets

A. Financial assets at fair value through profit or loss

- (a) Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term or of repurchasing for investing. Other financial assets are designated at fair value through profit or loss and classified as current and non-current by applying the same standard as assets.
- (b) On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

- (c) Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. Profit or loss incurred in the period of holding, including dividend income and interest income, is recognised in profit or loss for the period, and is measured at fair value thereafter. The change in fair value is recognised as ‘other gain and loss’ under non-operating revenue and expense of the period’s profit or loss.
- (d) If financial assets belong to equity investment ‘without active market and fair value cannot be reliably measured’, assets are measured at cost less impairment loss and recognised as ‘financial assets measured at cost’.

#### B. Loans and receivables

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

#### C. Financial assets carried at cost

- (a) The financial assets are recognized or derecognized using the trade date accounting and are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.
- (b) If there is any objective evidence that the financial assets are impaired, the impairment loss is recognized in profit or loss. Such impairment loss shall not be reversed.

#### (8) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
  - (a) Significant financial difficulty of the issuer or debtor;
  - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (c) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
  - (d) The disappearance of an active market for that financial asset because of financial difficulties; or

(e) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(a) Financial assets measured at cost

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

(b) Financial assets measured at amortised cost - loans and receivables

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

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Lease receivables/ leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

The inventories include "land held for construction", "construction in progress", and "buildings and land held for sale." Gains or losses arising from construction contracts are recognized using the percentage of completion method. Inventories are stated at cost and evaluated at the lower of cost or net realizable value at the end of period. The individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses. Interest expense related to construction of buildings held for sale is capitalised in accordance with IAS 23.

(12) Construction contracts

- A. IAS 11, 'Construction Contracts', defines a construction contract as a contract specifically negotiated for the construction of an asset. If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue should be recognised by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. Contract costs are expensed as incurred. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. An expected loss where total contract costs will exceed total contract revenue on a construction contract should be recognised as an expense as soon as such loss is probable. If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable.
- B. Contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.
- C. The excess of the cumulative costs incurred plus recognised profits (less recognised losses) over the progress billings on each construction contract is presented as an asset within 'receivables from customers on construction contracts'. While, the excess of the progress billings over the cumulative costs incurred plus recognised profits (less recognised losses) on each construction contract is presented as a liability within 'payables to customers on construction contracts'.

(13) Investments accounted for under the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

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

(14) Joint ventures – Jointly controlled entities

The Group and other enterprises jointly undertake the construction of Taipei Cultural Gym Area – Big-sized Indoor Gym and set up a joint project office to establish and keep the accounting records and books with respect to the project transactions. The Group's interest in jointly controlled entities—is accounted for in the consolidated financial statements using the equity method. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

(15) Property, plant and equipment

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

- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	60 years
Machinery and equipment	3~8 years
Transportation equipment	3~5 years
Office equipment	3~5 years
Other equipment	3~5 years

- E. Gain or loss on disposal of property, plant and equipment is determined by the difference between the carrying amount and proceeds, and the net of difference is recognised as 'other gain and loss' under profit and loss.
- F. When the purpose of property was changed from owned to investing, the carrying value of the property at transition should be used for reclassification to investment property.

(16) Leased assets/ leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

- A. An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 60 years.
- B. When the purpose of investment property was changed and reclassified to property, plant and equipment, the carrying amount at transition is used for reclassification.

(18) Intangible assets

Goodwill arises in a business combination accounted for by applying the acquisition method.

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

(21) Notes and accounts payable

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

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

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

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

(25) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in ‘capital surplus—stock warrants’ at the residual amount of total issue price less amounts of ‘financial assets or financial liabilities at fair value through profit or loss’ and ‘bonds payable—net’ as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’ and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus – stock warrants.

(26) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is

calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability;

- ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise.
- iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

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

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

(28) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at the fair value of the liability to pay for those services, and are recognised as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognised in profit or loss.

(29) Income tax

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

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. The land revaluation increment tax arising from selling land should be presented as an item of income tax for the period.
- D. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- E. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- F. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(30) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(31) Dividends

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

### (32) Revenue and cost recognition

#### A. Sales of goods

Sales of goods are income for selling real estate. Revenue and cost are recognised when real estate is sold and at settlement.

#### B. Construction contract revenue

Construction contracts of the Group can be reliably estimated. When a contract is able to generate profit, the related income and cost is recognised by reference to the stage of completion of the contract at the reporting date.

#### C. Lease income

Lease income is recognised in profit or loss on a straight-line basis over the lease term.

#### D. Sales of services

The Group provides planning services. Revenue from delivering services is recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed by the proportion of contract costs incurred for services performed as of the financial reporting date to the estimated total costs for the service contract. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are likely to be recoverable.

### (33) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

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

#### A. Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term

business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

B. Investment property

The Group uses a portion of the property to earn rentals or for capital appreciation and classifies the property as investment property.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible assets

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

B. Impairment assessment of investments accounted for using equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there any indication that it might have been impaired and its carrying amount cannot be recoverable. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyzes the reasonableness of related assumptions.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. As the net realisable value of inventories on balance sheet date is assessed to be lower than cost, the Group writes down the cost of inventories to the net realisable value.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash on hand and petty cash	\$ 3,571	\$ 2,315
Checking accounts	27,364	3,326
Demand deposits	2,337,154	213,519
Bills with repurchase agreement	-	<u>190,000</u>
Total	<u>\$ 2,368,089</u>	<u>\$ 409,160</u>

A. The Group' bills with repurchase agreement belong to highly liquid cash equivalents that expire within 3 months.

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

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

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

Items	December 31, 2014	December 31, 2013
Current items:		
Financial assets held for trading		
Listed stocks	\$ 10	\$ 10
Valuation adjustment on financial assets held for trading	-	3
<b>Total</b>	<b>\$ 10</b>	<b>\$ 13</b>

A. The Group recognized net gain of NT\$370 and NT\$8,313 on financial assets held for trading for the years ended December 31, 2014 and 2013, respectively.

B. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Accounts receivable

	December 31, 2014	December 31, 2013
Accounts receivable	\$ 613,353	\$ 123,529
Less: allowance for bad debts	( 15,914)	( 15,914)
	<u>\$ 597,439</u>	<u>\$ 107,615</u>

Allowance for bad debts is accrual of accounts receivable where there is an indication that they are impaired. Please refer to Note 9 for details.

(4) Inventories

Prepayment for real estate	December 31, 2014	December 31, 2013
Junghe District, Hua-jhong Section, New Taipei City	\$ -	\$ 5,818
Farglory A7	726,720	723,146
Yongxing Section, Zhubei City, Hsinchu County	-	271,512
Beitun District, Taihe Section., Taichung City	-	197,679
Nantun District, Fenggong Section., Taichung City	-	305,274
TaiDingZhu Section, Taibao City, Chiayi County	-	30,320
Yongkang District, DingAn Section, Tainan City	431,608	418,170
Wuhou District, No. WH6-15-154, Chengdu, China	-	1,719,383
	<u>1,158,328</u>	<u>3,671,302</u>
<b>Transferable building bulk</b>	<b>1,017,827</b>	<b>1,296,807</b>

Land held for construction	December 31, 2014	December 31, 2013
Beitou District, Sanhe Section, Taipei City	-	67,888
Wanhua District, Wanda Section 2, Taipei City	25,945	25,945
Wenshan District, Shihchien Section 2, Taipei City	-	41,290
Wenshan District, Muzha Section 1, Taipei City	535,457	535,457
Shilin District, Lanya Section 3, Taipei City	95,000	95,000
Neihu District, Tanmei Section 5, Taipei City	1,538,656	1,485,966
Songshan District, Dunhua Section, Taipei City	2,128,658	2,128,658
Junghe District, Hua-jhong Section, New Taipei City	208,947	170,479
Xinzhuang District, An-tai Section, New Taipei City	1,723,059	2,134,343
Xinzhuang District, Fudousin Section 1, New Taipei City	7,409,574	7,408,966
Sanchong District, Sangchong Pu Section, Tong'an Cuo Section, New Taipei City	15,897	15,897
Banqiao District, Jiangzicui Section, Disankan Section, New Taipei City	339,121	339,121
Taike Section., Zhubei City, Hsinchu County	-	1,033,690
Jiaxing Section., Zhubei City, Hsinchu County	-	1,116,033
Yongxing Section., Zhubei City, Hsinchu County	783,189	-
Beitun District, Taihe Section., Taichung City	282,420	-
Nantun District, Xingfu Section., Taichung City	-	1,290,355
Nantun District, Fenggong Section., Taichung City	2,019,200	1,540,620
Nantun District, Jiangong Section., Taichung City	1,243,367	-
Cingshuei District, ShiZhenBei Section, Taichung City	1,435,105	565,869
Sanmin District, Dagang Section, Kaohsiung City	294,030	294,030
Wuhou District, No. WH6-15-154, Chengdu, China	2,586,152	-
	<u>22,663,777</u>	<u>20,289,607</u>
Less: Allowance for decline in market value and obsolescence	( <u>173,210</u> )	( <u>173,210</u> )
	<u>\$ 22,490,567</u>	<u>\$ 20,116,397</u>

Construction in progress		December 31, 2014	December 31, 2013
E02A	Farglory U-Town	\$ -	\$ 10,431,457
E02A	Farglory U-Town II	2,277,751	-
H75A	Farglory Neo Oriental Plaza	819,685	450,996
H76A	Farglory New York	226,538	68,155
H82A	Farglory Milano Park	-	635,984
H88A	Farglory Jade Palace	3,838,852	3,234,423
H89A	Farglory La Bella Villa	-	1,050,334
H90A	Farglory Left Bank Smart Urban- Rose Garden	-	1,647,577
H92A	Farglory Left Bank Smart Urban- Rainbow Garden	-	869,272
H96A	Farglory Left Bank Zijin Park	-	850,224
H99A	Farglory Peony Garden	184,349	14,350
H102A	Farglory Camellia Palace	1,183,597	721,267
H105A	Farglory Hydrangea Garden	197,867	6,748
H108A	Farglory Land	812,546	558,449
H113A	Farglory Shinjuku	3,986,468	3,299,113
H115A	Farglory A7	3,281,268	897,983
H117A	Farglory H117	434,692	287,033
H118A	Farglory Resort	267,007	13,498
H120A	Farglory Long Gang	1,490,128	734,356
H121A	Farglory Long Gang NO.2	1,204,843	618,878
H123A	Farglory H123	755,489	635,854
H128A	Ming-hu Section,Xinzhu City.	335,788	323,057
H601A	Farglory Energy Architecture	1,168,844	10,587
H602A	Farglory Oriental Mansion	1,057,412	9,936
H605A	Farglory Four Seasons	125,337	-
H701A	Farglorly The One	1,604,128	11,556
H702A	Farglory W Plaza	1,590,641	-
H703A	Farglory Neo Star	165,281	-
H802A	Farglory Treasure	375,512	-
O1	Shihjia Section,Qianzhen District,Kaohsiung City.	146,193	17,524
	Others	331,575	149,250
		<u>27,861,791</u>	<u>27,547,861</u>

<u>Buildings and land held for sale</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Office development in Taipei City	3,955	10,142
Residential development in Taipei City	1,717,230	709,983
Office development in New Taipei City	13,212,444	-
Residential development in New Taipei City	4,194,014	4,137,016
Land in New Taipei City	-	166,793
Residential development in Taoyuan County	-	227,172
	<u>19,127,643</u>	<u>5,251,106</u>
Less: allowance for decline in market value and obsolescence	<u>-</u>	<u>( 22,639)</u>
	<u>19,127,643</u>	<u>5,228,467</u>
	<u>71,656,156</u>	<u>57,860,834</u>

A. The cost of inventories recognised as expense for the years ended December 31, 2014 and 2013 was NT\$10,895,490 and NT\$15,132,968, respectively, including amount of \$22,639 that was decreased from cost of sales as a result of reversal of net realisable value for increase in market price in 2014.

B. For the years ended December 31, 2014 and 2013, the interest capitalized as cost of inventory amounted to NT\$691,304 and NT\$497,333, respectively. Annual interest rates used for capitalization for the years ended December 31, 2014 and 2013 were 2.48%~3.00% and 2.26%~2.94%, respectively.

C. For details of pledged assets, please refer to Note 8.

D. For the details of trust deeds for construction in progress, please refer to Note 9(2) C.

(5) Construction in progress

The details of construction in progress are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Aggregate costs incurred plus recognized profits	\$ 3,935,723	\$ 1,669,261
Less: progress billings	<u>( 3,785,489)</u>	<u>( 1,511,357)</u>
Net balance sheet position for construction in progress	<u>\$ 150,234</u>	<u>\$ 157,904</u>
Presented as:		
Due from customers for contract work	163,538	163,371
Due to customers for contract work	<u>( 13,304)</u>	<u>( 5,467)</u>
	<u>150,234</u>	<u>157,904</u>
Retentions	<u>\$ 185,988</u>	<u>\$ 9,375</u>

(6) Prepayments

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deferred marketing commission expenses	\$ 3,113,250	\$ 2,539,421
Prepaid construction fees	263,826	338,937
Overpaid VAT	52,997	489,379
Others	36,342	49,718
	<u>\$ 3,466,415</u>	<u>\$ 3,417,455</u>

(7) Other financial assets - current

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Sinking account	\$ 3,411,134	\$ 4,290,997
Refundable deposit	1,443,105	3,509,506
Other receivables – third parties	68,244	40,937
Other receivables – related parties	302,668	83,936
Time deposits	573,473	232,295
	<u>\$ 5,798,624</u>	<u>\$ 8,157,671</u>

- A. Sinking account mainly consisted of funds raised from the issuance of GDRs and the trust of advances from customers. For the information about issuance of GDRs, please refer to Note 6(21). Except for payments for construction, income tax and other expenses needed for construction, the trust fund should not be drawn for other reasons. For the information about the trust fund, please refer to Note 9(2) C.
- B. Refundable deposits mainly consisted of refundable deposits due to the joint development arrangements and bonds due to land for bidding and urban renewal. For details of the arrangements, please refer to Notes 7(1) I, 9(1) A and 9(2) E.
- C. Time deposits are pledges related to certain construction as performance guarantee. Details of collaterals are provided in Note 8.

(8) Financial assets measured at cost

<u>Items</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Non-current items:		
Emerging stocks		
Yuan Jing Solar Technology Co., Ltd (Note)	\$ 526,684	\$ 526,684
Public offering stock - Farglory Life Insurance Co., Ltd.	7,430	7,680
	<u>534,114</u>	<u>534,364</u>
Accumulated impairment		
– financial assets measured at cost	( 216,620)	( 216,620)
Total	<u>\$ 317,494</u>	<u>\$ 317,744</u>

Note: Yuan Jing Solar Technology Co., Ltd. registered as emerging stock on September 19, 2014.

- A. Based on the Group's intention, its investment in certain stocks should be classified as

‘available-for-sale financial assets’. However, as stocks are not traded in active market, and no sufficient industry information of companies similar to the stocks or financial information cannot be obtained, the fair value of the investment in stocks cannot be measured reliably. The Group classified those stocks as ‘financial assets measured at cost’.

- B. The Group sold part of its equity holdings in Farglory Life Insurance Co., Ltd. to third parties in 2014. The selling price was \$4,486 and the gain on disposal of \$4,236 was recognised as ‘other gains and losses’.
- C. The Group evaluated that the value of investment in Yuan Jing Solar Technology Co., Ltd., measured at cost, had been impaired and therefore provided impairment loss of NT\$12,185 (shown as “impairment loss”) for the year ended December 31, 2014. As of December 31, 2014, the accumulated impairment amounted to \$216,620.
- D. The Group has no financial assets measured at cost pledged to others.

(9) Investments accounted for under equity method

A. Details of investments accounted for using equity method are set forth below:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<u>‘Investments accounted for under equity method’</u>		
Straits Construction Investment (Holding) Ltd. (Straits Construction)	\$ 4,396,896	\$ 3,760,996
Hua-Xiong Information Technology Co. LTD (Hua-Xiong)	25,625	25,625
Sanxin Outlet Co., Ltd. (Sanxin)	260,449	105,000
Farglory Dome Co., Ltd. (Farglory Dome)	3,502,295	-
Taiwan OBAYASHI, Farglory Construction, Japan OBAYASHI Construction Joint Venture Entity (JV Entity) (Note 1 and 2)	-	15,883
	<u>8,185,265</u>	<u>3,907,504</u>
<u>‘Other non-current liabilities’</u>		
Taiwan OBAYASHI, Farglory Construction, Japan OBAYASHI Construction Joint Venture Entity (JV Entity) (Note 1 and 2)	( 12,814)	-
	<u>\$ 8,172,451</u>	<u>\$ 3,907,504</u>

Note 1: The subsidiary – Farglory Construction Co., Ltd. intend to jointly participate in the construction of Taipei Cultural Gym Area – Big-sized Indoor Gym of the subsidiary – Farglory Dome Co., Ltd. and signed a joint venture agreement in September 23, 2011. The undertaking percentage of the subsidiary – Farglory Construction Co., Ltd. per the agreement is 45%. The contract price amounted to NT\$15,500,000 (VAT excluded).

Note 2: As of December 31, 2014, the net equity of JV Entity is greater than \$0. The Group deferred the investment gain and thus the carrying value of investment accounted for

using equity method was decreased to below \$0 (shown as ‘other non-current liabilities’).

- B. Share of (loss)/profit of associates and joint ventures accounted for under equity method for the years ended December 31, 2014 and 2013 are set forth below:

	Years ended December 31,	
	2014	2013
Straits Construction	\$ 490,100	\$ 8,565
Hua-Xiong	-	( 2,056)
Sanxin	( 24,551)	-
JV Entity	13,603	4,988
	<u>\$ 479,152</u>	<u>\$ 11,497</u>

- C. The foreign exchange gain of \$145,800 and \$201,000 arising from translation of financial statements of the associate accounted for under equity method – Straits Construction for the years ended December 31, 2014 and 2013 are shown as other comprehensive income.
- D. Investment gain or loss accounted for under equity method from Hua-Xiong is based on its 2014 unaudited financial statements, while others are based on the reports of the independent accountants of these investee companies. The Board of Directors has resolved to liquidate Hua-Xiong. As of December 31, 2014, the liquidation is still under process.
- E. The Group did not acquire shares issued by Farglory Dome Co., Ltd. (Farglory Dome) for capital increase in July and December 2014 proportionately, and the Group’s voting rights in Farglory Dome decreased to 39.66%. In accordance with IAS 27, the Group should derecognise the carrying value of assets and liabilities of Farglory Dome and recognise the fair value at the date when control is lost. Thus, the Group eliminated accumulated unrealised profit on sales (shown as realised profit on sales) and recognised loss on disposal of investment of \$15,514 (shown as other gains and losses).

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

December 31, 2014	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/(Loss)</u>	<u>% interest held</u>
Straits Construction	\$57,243,443	\$41,943,784	\$29,834,153	\$ 1,703,127	28.78%
Hua-Xiong	48,335	-	29,969	( 4,543)	49.00%
Sanxin	1,815,031	973,928	-	( 80,761)	30.00%
Farglory Dome	16,848,402	8,032,859	-	( 86,345)	39.66%
	<u>\$75,955,211</u>	<u>\$50,950,571</u>	<u>\$29,864,122</u>	<u>\$ 1,531,478</u>	

December 31, 2013	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/(Loss)</u>	<u>% interest held</u>
Straits Construction	\$58,997,721	\$45,907,832	\$ 4,088,612	\$ 29,369	28.78%
Hua-Xiong	51,321	35	-	( 5,545)	49.00%
Sanxin	743,235	421,370	-	( 28,135)	30.00%
	<u>\$59,792,277</u>	<u>\$46,329,237</u>	<u>\$ 4,088,612</u>	<u>(\$ 4,311)</u>	

G. The Group reinvested in Farglory Dome Co., Ltd. (Farglory Dome) in September 2006 and promised to Taipei City Government to hold no less than 20% of Farglory Dome's shares. Farglory Dome signed the 'Taipei Cultural Gym Area – Big-sized Indoor Gym' development plan (Taipei Dome BOT) with Taipei City Government in October 2006 and the dome is under construction.

H. The Group provides endorsement/guarantee for syndicated loan of Farglory Dome Co., Ltd. (Farglory Dome) and pledged certain stocks of Farglory Dome as collaterals. Details of collaterals are provided in Note 8.

I. The Group holds a 45% interest in the joint venture, JV Entity. The following amounts represent the Group's 45% share of the assets, liabilities and operating results of JV Entity.

<u>Accounts</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current assets	\$ 413,584	\$ 402,338
Non-current assets	1,801	1,801
Current liabilities	361,215	347,536
	<u>Years ended December 31,</u>	
<u>Accounts</u>	<u>2014</u>	<u>2013</u>
Revenue	\$ 39,866	\$ 20,020

J. Movements of equity of the Group's joint venture – JV Entity for the years ended December 31, 2014 and 2013:

	Year ended December 31, 2014		
	Accumulated investment gain	Deferred gain on transactions with associates	Total
At January 1	\$ 56,596	(\$ 40,713)	\$ 15,883
Recognition for current period	39,847	( 26,244)	13,603
Profit distribution	( 42,300)	-	( 42,300)
At December 31	<u>\$ 54,143</u>	<u>(\$ 66,957)</u>	<u>(\$ 12,814)</u>

	Year ended December 31, 2013		
	Accumulated investment gain	Deferred gain on transactions with associates	Total
At January 1	\$ 36,576	(\$ 25,681)	\$ 10,895
Recognition for current period	20,020	( 15,032)	4,988
At December 31	<u>\$ 56,596</u>	<u>(\$ 40,713)</u>	<u>\$ 15,883</u>

(10) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>At January 1, 2014</u>							
Cost	\$ 551	\$ 445	\$ 3,101	\$ 30,928	\$ 16,145	\$ 1,622,230	\$ 1,673,400
Accumulated depreciation and impairment	-	( 233)	( 924)	( 8,057)	( 5,802)	-	( 15,016)
	<u>\$ 551</u>	<u>\$ 212</u>	<u>\$ 2,177</u>	<u>\$ 22,871</u>	<u>\$ 10,343</u>	<u>\$ 1,622,230</u>	<u>\$ 1,658,384</u>
<u>2014</u>							
Opening net book amount	\$ 551	\$ 212	\$ 2,177	\$ 22,871	\$ 10,343	\$ 1,622,230	\$ 1,658,384
Additions	-	-	295	13,581	1,252	1,494,852	1,509,980
Reclassifications (Note)	-	-	-	-	-	( 3,117,082)	( 3,117,082)
Effect of sale of subsidiaries	-	-	-	( 336)	( 125)	-	( 461)
Depreciation charge	-	( 7)	( 462)	( 7,626)	( 2,173)	-	( 10,268)
Closing net book amount	<u>\$ 551</u>	<u>\$ 205</u>	<u>\$ 2,010</u>	<u>\$ 28,490</u>	<u>\$ 9,297</u>	<u>\$ -</u>	<u>\$ 40,553</u>
<u>At December 31, 2014</u>							
Cost	\$ 551	\$ 445	\$ 3,196	\$ 43,246	\$ 17,187	\$ -	\$ 64,625
Accumulated depreciation and impairment	-	( 240)	( 1,186)	( 14,756)	( 7,890)	-	( 24,072)
	<u>\$ 551</u>	<u>\$ 205</u>	<u>\$ 2,010</u>	<u>\$ 28,490</u>	<u>\$ 9,297</u>	<u>\$ -</u>	<u>\$ 40,553</u>

Note: Transferred into investment property.

	Land	Buildings	Machinery	Transportation equipment	Office equipment	Other equipment	Construction in progress	Total
<u>At January 1, 2013</u>								
Cost	\$ 551	\$ 445	\$ 4,617	\$ 1,280	\$ 16,390	\$ 1,291	\$ 1,002,179	\$ 1,026,753
Accumulated depreciation and impairment	-	( 224)	( 4,192)	( 391)	( 7,877)	( 916)	-	( 13,600)
	<u>\$ 551</u>	<u>\$ 221</u>	<u>\$ 425</u>	<u>\$ 889</u>	<u>\$ 8,513</u>	<u>\$ 375</u>	<u>\$ 1,002,179</u>	<u>\$ 1,013,153</u>
<u>2013</u>								
Opening net book amount	\$ 551	\$ 221	\$ 425	\$ 889	\$ 8,513	\$ 375	\$ 1,002,179	\$ 1,013,153
Additions	-	-	1,653	-	19,649	10,818	620,051	652,171
Reclassifications	-	-	478	( 889)	( 316)	727	-	-
Depreciation charge	-	( 9)	( 379)	-	( 4,975)	( 1,577)	-	( 6,940)
Closing net book amount	<u>\$ 551</u>	<u>\$ 212</u>	<u>\$ 2,177</u>	<u>\$ -</u>	<u>\$ 22,871</u>	<u>\$ 10,343</u>	<u>\$ 1,622,230</u>	<u>\$ 1,658,384</u>
<u>At December 31, 2013</u>								
Cost	\$ 551	\$ 445	\$ 3,101	\$ -	\$ 30,928	\$ 16,145	\$ 1,622,230	\$ 1,673,400
Accumulated depreciation and impairment	-	( 233)	( 924)	-	( 8,057)	( 5,802)	-	( 15,016)
	<u>\$ 551</u>	<u>\$ 212</u>	<u>\$ 2,177</u>	<u>\$ -</u>	<u>\$ 22,871</u>	<u>\$ 10,343</u>	<u>\$ 1,622,230</u>	<u>\$ 1,658,384</u>

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

	Years ended December 31,	
	2014	2013
Amount capitalized	\$ 34,576	\$ 19,090
Interest rate	3.1078%	3.1078%

(11) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2014</u>			
Cost	\$ 518,145	\$ 7,587,795	\$ 8,105,940
Accumulated depreciation	-	( 191,183)	( 191,183)
	<u>\$ 518,145</u>	<u>\$ 7,396,612</u>	<u>\$ 7,914,757</u>
<u>2014</u>			
Opening net book amount	518,145	7,396,612	7,914,757
Additions	-	4,642,432	4,642,432
Reclassifications (Note)	136,278	3,299,710	3,435,988
Effect of sale of subsidiaries	-	( 13,456,751)	( 13,456,751)
Disposals	( 229,689)	( 160,714)	( 390,403)
Depreciation charge	-	( 33,485)	( 33,485)
Closing net book amount	<u>\$ 424,734</u>	<u>\$ 1,687,804</u>	<u>\$ 2,112,538</u>
<u>At December 31, 2014</u>			
Cost	424,734	1,895,314	2,320,048
Accumulated depreciation	-	( 207,510)	( 207,510)
	<u>\$ 424,734</u>	<u>\$ 1,687,804</u>	<u>\$ 2,112,538</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2013</u>			
Cost	\$ 550,527	\$ 5,167,880	\$ 5,718,407
Accumulated depreciation	-	( 161,270)	( 161,270)
	<u>\$ 550,527</u>	<u>\$ 5,006,610</u>	<u>\$ 5,557,137</u>
<u>2013</u>			
Opening net book amount	\$ 550,527	\$ 5,006,610	\$ 5,557,137
Additions	-	2,443,143	2,443,143
Depreciation charge	-	( 33,214)	( 33,214)
Disposals	( 32,382)	( 19,927)	( 52,309)
Closing net book amount	<u>\$ 518,145</u>	<u>\$ 7,396,612</u>	<u>\$ 7,914,757</u>
<u>At December 31, 2013</u>			
Cost	\$ 518,145	\$ 7,587,795	\$ 8,105,940
Accumulated depreciation	-	( 191,183)	( 191,183)
	<u>\$ 518,145</u>	<u>\$ 7,396,612</u>	<u>\$ 7,914,757</u>

Note: Transferred from inventory, property, plant and equipment to investment property.

- A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2014	2013
Rental income from the lease of the investment property	\$ 241,308	\$ 245,482
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 118,215	\$ 108,878
Direct operating expenses arising from the investment property that did not generate rental income in the period	\$ 48,251	\$ 54,149

- B. Investment property mainly consisted of the Metropolitan Headquarters building, the commercial space and parking lot of H47A Farglory University Harvard, Farglory U-Town corporate office, Taipei Cultural Gym Area – corporate office, which is under construction, etc.
- C. Amount of borrowing costs capitalized as part of investment property and the range of the interest rates for such capitalization are as follows:

	Years ended December 31,	
	2014	2013
Amount capitalized	\$ 102,797	\$ 63,869
Interest rate	3.1078%	3.1078%

- D. The Company's certain investment property was pledged as security for short-term or long-term borrowings, commercial papers payable and bonds payable. For details of pledged assets, please refer to Note 8.
- E. The fair value of the investment property held by the Group as at December 31, 2014 and 2013 was NT\$4,474,354 and NT\$9,818,383, respectively. The above mentioned fair value is estimated based on market transaction prices of similar properties in the neighbouring area and independent valuers' assessment.
- F. The Group sold certain investment properties to third parties in 2014 and 2013. The contracted selling price was \$929,547 and \$24,422, less necessary selling expenses of \$15,668 and \$3,141, the net gain (loss) on disposal was \$523,476 and (\$31,028) (shown as other income and expenses).

(12) Other non-current assets

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Long-term prepaid rents	\$ 138,029	\$ 160,113
Refundable deposits	53,611	43,099
Long-term receivables	-	-
Others	<u>12,081</u>	<u>28,999</u>
	<u>\$ 203,721</u>	<u>\$ 232,211</u>

A. The long-term prepaid rents were mainly land use right. In 2000, the Company signed a land use right contract with Chi-Seng Water Management Research & Development Foundation of Taipei City for use of the land at Xihu Section 4 No. 102 in Neihu with term of 40 years. The Company has priority to rent at the end of the leasing period. The Company recognised rental expenses relating to long-term prepaid rents both amounting to \$22,084 for the years ended December 31, 2014 and 2013. The Company has to make an annual rental payment based on 8% of the land value declared by the government each year. In addition, information about the long-term prepaid rents that were pledged to others as collaterals is provided in Note 8.

B. The long-term receivables were mainly accounts receivable overdue or under litigation and the full amount was recognised as impairment.

(13) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2014</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 27,093,734	1.77%~3.38%	Inventories, investment property
Unsecured borrowings	<u>112,250</u>	1.73%~3.00%	
	<u>\$ 27,205,984</u>		
<u>Type of borrowings</u>	<u>December 31, 2013</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 18,633,242	1.55%~3.25%	Inventories, investment property
Unsecured borrowings	<u>620,000</u>	1.73%~2.90%	
	<u>\$ 19,253,242</u>		

For details of pledged assets, please refer to Notes 7(1) K and 8.

(14) Commercial papers payable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Commercial papers	\$ 1,586,100	\$ 1,194,600
Less: unamortized discount	( 1,725)	( 1,220)
	<u>\$ 1,584,375</u>	<u>\$ 1,193,380</u>
Annual interest rates	2.308%~3.888%	2.038%~3.138%

For details of pledged assets, please refer to Note 8.

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

<u>Items</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current liabilities:		
Financial liabilities held for trading		
Options-domestic convertible bonds	\$ 33,310	\$ 37,720
Valuation adjustment	105,639	49,608
	<u>\$ 138,949</u>	<u>\$ 87,328</u>

The Group's recognised 'financial liabilities held for trading' are financial liabilities recognised as call and put options embedded in the assets processed separately for convertible corporate bonds issued by the Group. The Group recognised net loss of NT\$56,031 and NT\$40,092 for the years ended December 31, 2014 and 2013, respectively. For the terms of the domestic secured convertible bonds - V and the unsecured convertible bonds – VI issued by the Company, please refer to Note 6(18).

(16) Other payables

<u>Items</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Payables for collection on behalf of others for joint building land	\$ 572,168	\$ 482,488
Payables on salary	219,613	226,042
Other	188,662	310,621
	<u>\$ 980,443</u>	<u>\$ 1,019,151</u>

(17) Advances from customers

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Receipts in advance-land	\$ 3,507,665	\$ 2,643,865
Receipts in advance-buildings	7,442,802	6,278,077
Receipts in advance-others	106,594	52,290
	<u>\$ 11,057,061</u>	<u>\$ 8,974,232</u>

(18) Bonds payable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Convertible bonds-secured- V	\$ 800,000	\$ 800,000
Convertible bonds-unsecured-VI	1,151,000	1,200,000
Less: discount	( 116,388)	( 187,415)
	<u>1,834,612</u>	<u>1,812,585</u>
Less: current portion (Note)	( 1,834,612)	-
	<u>\$ -</u>	<u>\$ 1,812,585</u>

Note: shown as “other current liabilities-others”.

A. On March 8 and March 9, 2012, the Company issued domestic secured convertible bonds – V and domestic unsecured convertible bonds – VI, as approved by the regulatory authority, respectively. The bonds were listed on the Taiwan Stock Exchange. The major terms of the issuance are as follows:

- (a) Total issued amount: NT\$800,000 of secured convertible bonds and NT\$1,200,000 of unsecured convertible bonds.
- (b) Coupon rate: 0%
- (c) Redemption term: The bondholders have the right to request the Company to redeem the bonds or to convert the bonds into common shares. The Company also has the right to redeem the bonds. The secured convertible bonds will be redeemed by cash at the price of face value plus interest on the maturity date. The unsecured convertible bonds will be redeemed by cash at the price of face value on the maturity date.
- (d) Issuance terms: Three years for secured bonds, from March 8, 2012 to March 8, 2015, and five years for unsecured convertible bonds, March 9, 2012 to March 9, 2017.
- (e) Conversion periods: The bonds are convertible anytime from one month after the issuance date to ten days before the maturity date.
- (f) Conversion price: The initial conversion price per share was set at NT\$65. The conversion price will be adjusted according to the issuance contract. Effective July 30, 2013, the revised conversion price is NT\$54.72.
- (g) Redemption at the option of issuer:
  - i. During the period from the day six months after the issuance of the bonds to 40 days before the maturity date of the secured convertible bonds, and the period from the day one months after the issuance of the bonds to 40 days before the maturity date of the unsecured convertible bonds, the Company may redeem all of the outstanding bonds at face value by cash at any time within 30 trading days following the period of 30 consecutive trading days during which the closing price of the Company’s shares is equal to or above 30% of the latest conversion price.

- ii. During the period from the day six months after the issuance of the bonds to 40 days before the maturity date of the bonds, the Company may redeem all of the outstanding bonds at face value by cash at any time after the amount of the outstanding bonds becomes less than 10% of the initial issuance amount.
- (h) Redemption at the option of bondholders:
- i. Under the terms of the secured convertible bonds-V, the bondholders have the right to require the Company to redeem the bonds by cash at the price of face value plus interest on redemption of 1.5075% of the face value upon the passing of three years after the issuance of bonds.
  - ii. Under the terms of the unsecured convertible bonds-VI, the bondholders have the right to require the Company to redeem the bonds by cash at the price of face value plus interest on redemption of 2.01% and 3.03% of the face value upon the passing of two years and three years after the issuance of bonds, respectively.
- (i) Sell back and retirement: As of December 31, 2014, the bondholders exercised their put options to request the Company to redeem unsecured convertible bonds of \$49,000, along with interest payable refund and amounted to \$49,985. The Group recognised loss on redemption of bonds of \$3,089 (shown as ‘other gains and losses’) for the year ended December 31, 2014.
- B. According to IAS 32, a conversion option embedded in the bonds issued by the Company, which is convertible to an equity instrument, is recognized and included in “capital reserve from stock warrants”, the capital reserve from stock warrants amounted to NT\$257,565 since the Company issued convertible bonds in March 8, 2012 and March 9, 2012. Additionally, according to IAS 39, the value of any derivative features (such as a call option and put option) embedded in the compound financial instrument is recognized as “financial assets or financial liabilities at fair value through profit or loss”. The effective rate of the main contract was 2.106% to 4.730%.
- C. For details of pledged assets, please refer to Note 8.

(19) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2014</u>
Long-term bank borrowings - secured Jih Sun International Commercial Bank	Borrowing period is from December 2012 to December 2017, repay in equal installments in accordance with the contract	2.75%	Investment property	\$ 350,000
Chang Hwa Bank	Borrowing period is from February 2013 to February 2020, repay in equal installments in accordance with the contract	2.50%	Inventories	<u>1,700,000</u>
				2,050,000
Less: current portion (Note)				( 60,000)
Less: deferred administrative expenses from syndicated loan				( 25,466)
				<u>\$ 1,964,534</u>

Type of borrowings	Borrowing period repayment term	Interest rate range	Collateral	December 31, 2013
Long-term bank borrowings - secured Jih Sun International Commercial Bank	Borrowing period is from December 2012 to December 2017, repay in equal installments in accordance with the contract	2.75%	Investment property	\$ 410,000
Chang Hwa Bank	Borrowing period in from February 2013 to February 2020, repay in equal installments in accordance with the contract	2.50%	Inventories	1,700,000
Mega International Commercial Bank	Borrowing period is from July 2012 to April 2027, repay in equal installments in accordance with the contract	3.11%	None	<u>3,000,000</u>
				5,110,000
Less: current portion (Note)				( 60,000)
Less: deferred administrative expenses from syndicated loan				( 80,602)
				<u>\$ 4,969,398</u>

A. The Group has the following undrawn short-term and long-term borrowing facilities:

	December 31, 2014	December 31, 2013
Expiring within one year	\$ 830,741	\$ 2,131,060
Expiring beyond one year	16,759,402	31,302,028
	<u>\$ 17,590,143</u>	<u>\$ 33,433,088</u>

B. On November 9, 2011, the subsidiary – Farglory Dome signed a syndicated loan contract with 11 banks, with Mega International Commercial Bank as the lead bank, for the construction of Taipei Cultural Gym Area – Big-sized Indoor Gym. On November 9, 2011, the subsidiary – Farglory Dome signed a syndicated loan contract with 11 banks, with Mega International Commercial Bank as the lead bank, for the construction of Taipei Cultural Gym Area –

Big-sized Indoor Gym. As the Company lost control over the subsidiary in December 2014, the effect of sale of subsidiary of \$6,328,239 was recognised during 2014. Details are provided in Note 6(9) and (34).

Current ratio = (current assets + reserve for loans repayment)/current liabilities

The above financial ratios are reviewed based on the semi-annual and annual financial statements of the subsidiary – Farglory Dome audited by independent accountants, as approved by the managing bank. Interest coverage is reviewed annually, liability ratio and current ratio are reviewed semi-annually.

C. As of December 31, 2014 and 2013, the deferred administrative expenses of the Group, amounted to NT\$25,466 and NT\$80,602 which was accounted for as deduction of long-term loan and amortized over the period of the loan as interest expense. The amortization amounted to NT\$13,374 and NT\$10,853 for the years ended December 31, 2014 and 2013, respectively.

D. For details of pledged assets, please refer to Note 8.

(20) Pensions

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

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Present value of funded obligations	\$ 135,988	\$ 139,151
Fair value of plan assets	( 39,616)	( 38,621)
Others	( 5)	( 255)
Net liability in the balance sheet	<u>\$ 96,367</u>	<u>\$ 100,275</u>

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

	<u>2014</u>	<u>2013</u>
Present value of funded obligations		
At January 1	\$ 139,151	\$ 135,663
Current service cost	1,376	1,315
Interest expense	2,296	1,899
Benefits paid	( 1,959)	-
Actuarial loss	( 4,876)	274
At December 31	<u>\$ 135,988</u>	<u>\$ 139,151</u>

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

	<u>2014</u>	<u>2013</u>
Fair value of plan assets		
At January 1	\$ 38,621	\$ 36,251
Expected return on plan assets	475	447
Actuarial profit	423	24
Benefits paid	( 1,959)	-
Employer contributions	2,056	1,899
At December 31	<u>\$ 39,616</u>	<u>\$ 38,621</u>

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

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Current service cost	\$ 1,376	\$ 1,315
Interest cost	2,296	1,899
Expected return on plan assets	496 (	447)
Others	( 991)	542
Current pension costs	<u>\$ 3,177</u>	<u>\$ 3,309</u>

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

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Operating costs	\$ 531	\$ 1,049
General and administrative expenses	2,646	2,260
	<u>\$ 3,177</u>	<u>\$ 3,309</u>

(f) Amounts recognized under other comprehensive income are as follows:

	Years ended December 31,	
	2014	2013
Recognition for current period	(\$ 5,049)	\$ -
Accumulated amount	\$ 56,233	\$ 61,282

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

For the years ended December 31, 2014 and 2013, the Group's actual returns on plan assets were (\$73) and \$471, respectively.

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

	2014	2013
Discount rate	1.90%	1.65%
Future salary increases	2.50%	2.50%
Expected return on plan assets	1.90%	1.20%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan's published annuity table.

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

	Years ended December 31,		
	2014	2013	2012
Present value of defined benefit obligation	(\$ 135,988)	(\$ 139,151)	(\$ 135,663)
Fair value of plan assets	39,616	38,621	36,251
Others	5	255	-
Deficit in the plan	(\$ 96,367)	(\$ 100,275)	(\$ 99,412)
Experience adjustments on plan liabilities	(\$ 190)	\$ 5,469	\$ 61,200
Experience adjustments on plan assets	(\$ 423)	(\$ 24)	\$ 82

(j) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2014 amounts to NT\$2,044.

B. (a) Effective July 1, 2005, the Group has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) For the Mainland subsidiary – Fareast Chuanfu (Chengdu) Co., Ltd., monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC.) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the subsidiary has no further obligations.

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2014 and 2013 were NT\$15,512 and NT\$13,377, respectively.

## (21) Provisions

	Warranty
At January 1, 2014	\$ 208,266
Used during the period	( 511)
At December 31, 2014	\$ 207,755

	Warranty
At January 1, 2013	\$ 209,367
Used during the period	( 1,101)
At December 31, 2013	\$ 208,266

The Group gives warranties on sale of real estate and construction contracted. Provision for warranty is estimated based on historical warranty data of construction contracted.

(22) Share capital

A. As of December 31, 2014, the Company's authorized capital was NT\$10,000,000, and total contributed capital was NT\$8,354,332 consisting of 835,433 thousand shares with a par value of NT\$10 per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2014	2013
At January 1	\$ 835,433	\$ 771,433
Cash capital increase	-	64,000
At December 31	<u>\$ 835,433</u>	<u>\$ 835,433</u>

B. The Board of Directors on October 30, 2013 has resolved to increase capital by issuing common stock of 64 million shares with par value of \$50 and amount of shares was \$3,200,000. The registration was completed on January 13, 2014.

C. On January 19, 2011, the Company increased capital by issuing 65 million common shares and 43 million units of global depository receipts (GDRs) issued with stockholders. The issuance of GDRs was approved by the Central Bank (November 2, 2010 No.0990051697) and the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan (December 1, 2010 No.0990064701). The GDRs amounting to US\$210,296 thousand were issued overseas and traded on the London Stock Exchange. As of December 31, 2014, outstanding foreign depository receipts of 111 thousand units were not yet converted.

(23) Capital surplus

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

Year ended December 31, 2014

	Share premium	Conversion premium of convertible corporate bonds	Gain on disposal of assets	Long-term investment	Stock options	Others	Total
At January 1	\$7,736,016	\$ 806,862	\$ 24,100	\$ 2,086	\$ 257,565	\$ 21,840	\$8,848,469
Repurchase of bonds payable	-	-	-	-	( 8,369)	8,369	-
Changes in net asset of associates accounted for under equity	-	-	-	72,271	-	-	72,271
At December 31	<u>\$7,736,016</u>	<u>\$ 806,862</u>	<u>\$ 24,100</u>	<u>\$ 74,357</u>	<u>\$ 249,196</u>	<u>\$ 30,209</u>	<u>\$8,920,740</u>

Year ended December 31, 2013

	Share premium	Conversion premium of convertible corporate bonds	Gain on disposal of assets	Long-term investment	Stock options	Others	Total
At January 1	\$5,176,016	\$ 806,862	\$ 24,100	\$ 2,086	\$ 257,565	\$ 21,840	\$6,288,469
Cash capital	2,560,000	-	-	-	-	-	2,560,000
At December 31	<u>\$7,736,016</u>	<u>\$ 806,862</u>	<u>\$ 24,100</u>	<u>\$ 2,086</u>	<u>\$ 257,565</u>	<u>\$ 21,840</u>	<u>\$8,848,469</u>

(24) Retained earnings

A. In accordance with the Company Law, 10% of the current year's earnings, after payment of all taxes and after offsetting accumulated deficits, shall be set aside as legal reserve. Afterwards, an amount shall be appropriated as special reserve in accordance with applicable legal or regulatory requirements. Appropriation of the remainder plus prior years' undistributed earnings shall be proposed by the Board of Directors to be resolved during the meeting of the stockholders. The Company will take into consideration its future business plans and capital expenditures in determining the amounts of earnings to be retained and to be distributed. Distribution should be in the following order:

- (a) 0% to 2% as remuneration to directors and supervisors,
- (b) 2% as bonuses to employees, including employees of affiliate companies per the criteria set by the Board of Directors or other authorized party; and
- (c) 96% to 98% as dividends to shareholders, either as share dividends or cash dividends. However, cash dividends shall account for at least 50% of the total dividends distributed, and the proportion shall be determined by taking into account the Company's investment

plan and financial structure.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. Resolutions were adopted at the stockholders' meetings in June 6, 2014 and June 13, 2013, respectively, for the appropriation of 2013 and 2012 earnings as follows:

	Years ended December 31,			
	2013		2012	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 669,444		\$ 480,923	
Cash dividends	1,253,149	\$ 1.5	2,700,016	\$ 3.5
	<u>\$ 1,922,593</u>		<u>\$ 3,180,939</u>	

Note: At the stockholders' meeting in 2014, a resolution was adopted to appropriate employees' cash bonus and directors' and supervisors' remuneration in the amounts of NT\$25,838 and NT\$12,919, respectively, for 2013.

At the stockholders' meeting in 2013, a resolution was adopted to appropriate employees' cash bonus and directors' and supervisors' remuneration in the amounts of NT\$55,670 and NT\$27,835, respectively, for 2012.

Information on whether the Board of Directors resolve and the stockholders approve the distribution of the Company's earnings will be posted in the "Market Observation Post System" on the website of the Taiwan Stock Exchange.

- E. (a) The estimated amounts of cash bonuses to employees and remuneration to directors and supervisors were as follows:

	Years ended December 31,	
	2014	2013
Employees' cash bonus	\$ 60,289	\$ 63,168
Directors' and supervisors' remuneration	30,144	9,475
	<u>\$ 90,433</u>	<u>\$ 72,643</u>

The estimated employees' cash bonus and directors and supervisors' remuneration were determined based on a certain percentage of net income and taking into account the legal reserve and other factors prescribed by the Company's Articles of Incorporation (2% and 1%, 2% and 0.3% for employees' bonus and directors' and supervisors' remuneration for 2014 and 2013). The difference, resulting in expenses of NT\$33,886, between the amounts recognised in 2013 (cash bonuses to employees of NT\$63,168 and remunerations to directors and supervisors of NT\$9,475) and the amount resolved by the stockholders was adjusted in the statement of comprehensive income of 2014.

- (b) The appropriation of earnings for the year of 2014 was proposed by the Board of Directors on March 30, 2015. Details are summarized below:

	Years ended December 31, 2014	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 514,074	
Cash dividends	3,174,646	\$ 3.8
	<u>\$ 3,688,720</u>	

In 2015, the Board of Directors proposed that cash bonuses to employees and remunerations to directors and supervisors for the year of 2014 were \$65,457 and \$32,728, respectively.

Note: Information about the resolution by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Operating revenue

	Years ended December 31,	
	2014	2013
Sales revenue	\$ 15,654,927	\$ 23,502,591
Construction contract revenue	1,798,842	1,121,963
Rental income	241,308	245,482
Service revenue	129,124	247,586
Total	<u>\$ 17,824,201</u>	<u>\$ 25,117,622</u>

(26) Other income

	Years ended December 31,	
	2014	2013
Interest income	\$ 10,594	\$ 9,402
Other non-operating income	107,320	28,495
Total	<u>\$ 117,914</u>	<u>\$ 37,897</u>

(27) Other gains and losses

	Years ended December 31,	
	2014	2013
Net losses on financial liabilities at fair value through profit or loss	(\$ 56,031)	(\$ 40,092)
Net gains on financial assets at fair value through profit or loss	370	8,313
Net currency exchange gains	5,888	29,659
Impairment losses	-	(12,185)
Loss on performance guarantee	(129,500)	-
Gain on disposal of financial assets measured at amortised cost	4,236	-
Loss on disposal of investments	(15,514)	-
Other non-operating losses	(66,768)	(94,794)
Total	<u>(\$ 257,319)</u>	<u>(\$ 109,099)</u>

(28) Finance costs

	Years ended December 31,	
	2014	2013
Interest expenses:		
Bank borrowings	\$ 842,465	\$ 633,602
Convertible bonds	64,513	63,842
Other interest expense	20,087	15,622
	<u>927,065</u>	<u>713,066</u>
Less: capitalisation of qualifying assets	(828,677)	(580,292)
	<u>\$ 98,388</u>	<u>\$ 132,774</u>

(29) Expenses by nature

	Year ended December 31, 2014		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 154,487	\$ 241,104	\$ 395,591
Labor and health insurance fees	13,755	17,149	30,904
Pension costs	7,802	10,885	18,687
Other personnel expenses	3,967	22,509	26,476
Depreciation	34,748	9,005	43,753
Amortization	404	8,456	8,860

	Year ended December 31, 2013		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 157,682	\$ 324,097	\$ 481,779
Labor and health insurance fees	11,863	15,705	27,568
Pension costs	7,033	9,653	16,686
Other personnel expenses	3,677	23,387	27,064
Depreciation	34,378	5,776	40,154
Amortization	128	900	1,028

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	<u>2014</u>	<u>2013</u>
Current tax:		
Current tax on profits for the period	\$ 959,285	\$ 805,817
Tax on undistributed earnings	148,491	163,534
Adjustments in respect of prior years	( 647)	58,599
Total current tax	<u>1,107,129</u>	<u>1,027,950</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>17,310</u>	<u>10,469</u>
Income tax expense	<u>\$ 1,124,439</u>	<u>\$ 1,038,419</u>

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

	Years ended December 31,	
	2014	2013
Share of other comprehensive income of associates	(\$ 37,828)	(\$ 36,720)
Actuarial gains on defined benefit obligations	( 858)	-
	<u>(\$ 38,686)</u>	<u>(\$ 36,720)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2014	2013
Tax calculated based on profit before tax and statutory tax rate	\$ 1,031,093	\$ 1,299,334
Tax effect of tax-exempt income	( 304,020)	( 808,138)
Other book-tax difference based on tax regulation	( 136,393)	65,654
Current income expenses incurred from taxable income	590,680	556,850
Prior year income tax (over) underestimation	( 647)	58,599
Tax on undistributed earnings	148,491	163,534
Land increment tax on sale of land	385,915	259,436
Income tax expense	<u>\$ 1,124,439</u>	<u>\$ 1,038,419</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and loss carryforward are as follows:

	Year ended December 31, 2014			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Provision for obsolescence and decline in market value of inventory	\$ 3,849	(\$ 3,849)	\$ -	\$ -
Provision for warranty	35,404	( 86)	-	35,318
Pension expense	3,653	13,774	( 858)	16,569
Unused compensated absences	2,137	-	-	2,137
Loss carryforward	-	837	-	837
Subtotal	<u>45,043</u>	<u>10,676</u>	<u>( 858)</u>	<u>54,861</u>
— Deferred tax liabilities				
Unrealized exchange gain	( 1,496)	1,496	-	-
Unrealized investment income	-	( 29,482)	-	( 29,482)
Pension expense	( 184)	-	-	( 184)
Cumulative translation adjustments	( 44,148)	-	( 37,828)	( 81,976)
Subtotal	<u>( 45,828)</u>	<u>( 27,986)</u>	<u>( 37,828)</u>	<u>( 111,642)</u>
Total	<u>(\$ 785)</u>	<u>(\$ 17,310)</u>	<u>(\$ 38,686)</u>	<u>(\$ 56,781)</u>

	Year ended December 31, 2013			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Provision for obsolescence and decline in market value of inventory	\$ 3,849	\$ -	\$ -	\$ 3,849
Provision for warranty	35,593	( 189)	-	35,404
Pension expense	12,865	( 9,212)	-	3,653
Unused compensated absences	1,983	154	-	2,137
Subtotal	54,290	( 9,247)	-	45,043
– Deferred tax liabilities:				
Unrealized exchange gain	( 274)	( 1,222)	-	( 1,496)
Pension expense	( 184)	-	-	( 184)
Cumulative translation adjustments	( 7,428)	-	( 36,720)	( 44,148)
Subtotal	( 7,886)	( 1,222)	( 36,720)	( 45,828)
Total	\$ 46,404	(\$ 10,469)	(\$ 36,720)	(\$ 785)

D. As of December 31, 2014, the unused loss carryforward of the subsidiary –Fareast Chuanfu (Chengdu) Co., Ltd. was \$837. The tax credit is available until 2018.

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2014	December 31, 2013
Deductible temporary differences	\$ 11,204	\$ 130,517

F. The Company's and the subsidiaries'–Farglory Construction's income tax returns for the years through 2012 and 2011 have been assessed and approved by the Tax Authority.

G. Unappropriated retained earnings:

	December 31, 2014	December 31, 2013
Earnings generated in and after 1998	\$ 16,685,118	\$ 13,596,873

H. As of December 31, 2014 and 2013, the balance of the imputation tax credit account was \$2,121,322 and \$1,667,534, respectively. The creditable tax rate was 16.33% for 2013 and is estimated to be 14.42% for 2014.

(31) Earnings per share

	Year ended December 31, 2014		
	Amount after tax	Outstanding shares at the end of the year (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,006,639	835,433	\$ 5.99
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,006,639	835,433	
Assumed conversion of all dilutive potential ordinary shares:			
- Convertible bonds	123,632	37,951	
- Employees' bonus	-	2,289	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 5,130,271	875,673	\$ 5.86
	Year ended December 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,694,437	772,660	\$ 8.66
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,694,437	772,660	
Assumed conversion of all dilutive potential ordinary shares:			
- Convertible bonds	103,935	36,550	
- Employees' bonus	-	1,760	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 6,798,372	810,970	\$ 8.38

(32) Transactions with non-controlling interest

Acquisition of additional equity interest in a subsidiary

- A. Non-controlling interest acquired shares of the subsidiary – Farglory Dome Co., Ltd. (Farglory Dome) at total cash consideration of \$4,407,000 in 2014. The transaction increased equity attributable to owners of parent and decreased non-controlling interest by \$72,271.
- B. On September 16, 2013, the Group also acquired new shares of its subsidiary–Farglory Construction Co., Ltd. for a cash consideration of \$500,000. This transaction resulted in a decrease in the non-controlling interest by \$1,403 and an increase in the equity attributable to owners of the parent by \$1,403.
- C. On January 21 and April 22, 2013, the Group acquired additional shares of its subsidiary – Farglory Dome at total cash consideration of \$480,000 and \$420,000, along with non-controlling interest of \$20,000 and \$80,000, respectively. This transaction resulted in an increase in the non-controlling interest by \$3,867 and \$1,114, and a decrease in the equity attributable to owners of the parent by \$3,232 and \$1,114, respectively. Furthermore, the subsidiary – Farglory Dome Co., Ltd. (Farglory Dome) received advanced investment for capital increase of \$135,000 on September 30, 2013. The transaction decreased non-controlling interest by \$3,464 and increased equity attributable to owners of parent by \$3,837.

(33) Operating leases

- A. The Group leases part of investment property assets to others under non-cancellable operating lease agreements. Rental revenue of \$241,308 and \$245,482 were recognised for these leases in profit or loss for the years ended December 31, 2014 and 2013, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Not later than one year	\$ 217,620	\$ 191,545
Later than one year but not later than five years	379,715	247,626
Later than five years	78,600	99,410
	<u>\$ 675,935</u>	<u>\$ 538,581</u>

- B. The Group leases land-use right with the Chi-Seng Water Management Research & Development Foundation of Taipei City that under non-cancellable operating lease agreements. The lease period is from 2000 until 2040, and the Group has priority to renew lease agreements at the end of the lease period. Rent is paid at 8% of announced land value. Furthermore, the Group signed land-use right contract of ‘Taipei Cultural Gym Area –Big-sized Indoor Gym’ with Taipei City Government and pays rent based on 1% of announced land value. The Group recognised rental expenses of \$107,321 and \$104,852 for the years ended December 31, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable

operating leases are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Not later than one year	\$ 40,255	\$ 107,321
Later than one year but not later than five years	161,019	429,284
Later than five years	818,380	3,283,061
	<u>\$ 1,019,654</u>	<u>\$ 3,819,666</u>

(34) Non-cash transactions

A. Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Additions to property, plant and equipment	\$ 1,509,980	\$ 652,171
Additions to investment property	4,642,432	2,443,143
Less: Interest capitalised	( 137,373)	( 82,959)
Add: opening balance of payable on equipment	817,619	532,056
Less: ending balance of payable on equipment	-	( 817,619)
Cash paid during the year	<u>\$ 6,832,658</u>	<u>\$ 2,726,792</u>

B. The Group did not acquire shares issued by the subsidiary – Farglory Dome Co., Ltd. (Farglory Dome) for capital increase proportionately, and the control over the subsidiary was lost. (Details are provided in Notes 4(3) and 6(9).) The following table summarizes the consideration paid and the assets and liabilities:

	<u>December 30, 2014</u>
Cash and cash equivalents	\$ 5,326
Other financial assets - current	3,033,616
Prepayments	344,379
Current income tax assets	136
Other current assets - other	100
Property, plant and equipment	461
Investment property, net	13,456,751
Other non-current assets	7,632
Notes payable	( 21,994)
Accounts payable	( 1,373,522)
Accounts payable — related parties	( 297,789)
Other payables	( 11,180)
Other payables — related parties	( 6)
Other current liabilities — other	( 128)
Long-term borrowings	( 6,328,239)
Total identifiable net assets	<u>8,815,543</u>
Net equity shared by the Group	<u>3,517,809</u>
Fair value of equity lost at disposal	( 3,502,295)
Loss on disposal of investments	<u>\$ 15,514</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Significant related party transactions and balances

#### A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Revenue from sale of real estate:		
— Entity controlled by key management personnel	\$ -	\$ 184,737
Construction contract revenue:		
— Entity controlled by key management personnel	1,172,982	896,662
— Associates	534,243	-
Service revenue:		
— Entity controlled by key management personnel	129,124	34,617
Total	<u>\$ 1,836,349</u>	<u>\$ 1,116,016</u>

(a) For construction contracts commissioned from related parties, the contract prices were negotiated according to estimated construction cost plus reasonable management fee and

profit. Payments were based on terms stated in the contracts.

- (b) As of December 31, 2014 and 2013, the details of contract price and progress billings on uncompleted contracts with related parties are shown below:

	<u>December 31, 2014</u>	
	<u>Contract price (VAT excluded)</u>	<u>Amount billed</u>
Entity controlled by key management personnel	\$ 1,821,593	\$ 1,278,725
Associates	5,310,706	2,396,857
	<u>\$ 7,132,299</u>	<u>\$ 3,675,582</u>

	<u>December 31, 2013</u>	
	<u>Contract price (VAT excluded)</u>	<u>Amount billed</u>
Entity controlled by key management personnel	\$ 2,763,574	\$ 884,158

- (c) An entity controlled by key management personnel signed a contract with the Company in the amount of \$121,160 and \$150,000 to consign the planning and designing of the construction, construction permit application, building management, construction management, ownership transfer, etc. for “H102 Farglory Camellia Palace” and “H109 Farglory Osmanthus Garden”, respectively. Payments were based on the terms stated in the contract. As of December 31, 2014, \$109,044 and \$75,000 has been paid, respectively.

**B. Purchases and construction contracts**

- (a) Purchases

As of December 31, 2014 and 2013, purchases were as follows:

	<u>Type</u>	<u>Years ended December 31,</u>	
		<u>2014</u>	<u>2013</u>
Entity controlled by key management personnel	Construction contract	\$ 1,702,196	\$ 840,727

- (b) Commission of construction contracts

As of December 31, 2014 and 2013, contract prices and billed amounts were as follows:

	<u>December 31, 2014</u>		
	<u>Contract price</u>	<u>Amount billed</u>	<u>Amount unbilled</u>
Entity controlled by key management personnel	\$ 4,372,860	\$ 1,137,542	\$ 3,235,318

	December 31, 2013		
	<u>Contract price</u>	<u>Amount billed</u>	<u>Amount unbilled</u>
Entity controlled by key management personnel	\$ 5,203,676	\$ 985,656	\$ 4,218,020

For the construction contracts commissioned with the Group, the project price was negotiated according to the estimated construction cost plus reasonable management fee and profit. Payments were based on terms stated in the contracts.

C. Receivables from related parties

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Notes receivable:		
Entity controlled by key management personnel	\$ -	\$ 21,610
Accounts receivable:		
Entity controlled by key management personnel	\$ 394,832	\$ 507,741
Associates	315,544	-
	<u>\$ 710,376</u>	<u>\$ 507,741</u>

D. Other receivables (shown as other financial assets - current)

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
The key management personnel	\$ 14,697	\$ 38,152
Entity controlled by key management personnel	282,555	887
Other related parties	5,416	44,897
	<u>\$ 302,668</u>	<u>\$ 83,936</u>

E. Payables to related parties

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Accounts payable:		
Entity controlled by key management personnel	\$ 667,075	\$ 372,960

F. Other payables

(a) Other payables

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
The key management personnel	\$ 28,453	\$ 44,267
Entity controlled by key management personnel	673,517	1,468,440
Other related parties	-	46,040
	<u>\$ 701,970</u>	<u>\$ 1,558,747</u>

Other payables mainly consisted of sales commission payables, rent expenses, payments received on behalf of related parties on land sales from revenue-sharing joint development arrangements, and payables of membership cards as gift for customers.

(b) Borrowings from related parties

As of December 31, 2014 and 2013, the details of borrowings from related parties are as follows:

	<u>Year ended December 31, 2014</u>				
	<u>Maximum□ balance</u>	<u>Ending□ balance</u>	<u>Interest rate</u>	<u>Interest□ expense</u>	<u>Interest□ payable</u>
The key management personnel	<u>\$ 764,000</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Year ended December 31, 2013</u>				
	<u>Maximum□ balance</u>	<u>Ending□ balance</u>	<u>Interest rate</u>	<u>Interest□ expense</u>	<u>Interest□ payable</u>
The key management personnel	<u>\$ 950,000</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>

The above borrowings from related parties were non-interest bearing and were not secured by collateral.

### G. Rental agreements

#### (a) Rental revenues and deposits received

	Years ended December 31,			
	2014		2013	
	Rental revenues	Deposits received	Rental revenues	Deposits received
Entity controlled by key management personnel	\$ 5,808	\$ 753	\$ 6,643	\$ 1,257

#### (b) Rental expenses and refundable deposits

	Years ended December 31,			
	2014		2013	
	Rental expenses	Refundable deposits	Rental expenses	Refundable deposits
Entity controlled by key management personnel	\$ 52,159	\$ 13,526	\$ 47,574	\$ 13,749

### H. Deferred sales commission (shown as prepayments)

	Years ended December 31,	
	2014	2013
Entity controlled by key management personnel	\$ 1,380,282	\$ 2,161,702

### I. Commitments

The Company has separately signed real estate joint construction contracts for U-Town and 16 other cases with key management, entities controlled by key management personnel and other related parties during 2007 until 2013. As of December 31, 2014 and 2013, the amount of refundable deposits for joint construction paid by the Company was \$1,020,000 and \$3,020,000, respectively.

### J. Endorsements and guarantees provided to related parties

- The key management personnel and next of kin serve as the guarantors of the syndicated loans to the Group.
- The details of guarantees and endorsements provided to related parties for the loans of financial institutions were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Associates	\$ 6,703,725	\$ 5,854,180

K. Others

As of December 31, 2014, the entity controlled by key management personnel provided land located in Hao-Tian Sec., Xizhi District, New Taipei City as a collateral for the Company's certain syndicated loans from financial institutions.

(2) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Salaries and other short-term employee benefits	\$ 47,274	\$ 65,215

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	
Other financial assets - current			
— Time deposit	\$ 573,473	\$ 232,295	Solar energy subsidy guarantees, performance guarantee and Suitable Housing guarantees
— Sinking account	47,191	36,000	Guaranteed acceptance line for bonds payable and short-term bills payable
Inventories	56,604,520	41,712,969	Short-term loans, commercial papers payable and bonds payable
Investments accounted for under equity method	3,635,919	-	Endorsements/guarantees provided for associates' syndicated loans
Investment property	2,014,806	2,117,413	Short-term and long-term loans, commercial papers payable and bonds payable
Other non-current assets			
— Long-term prepaid rents	138,028	160,113	Short-term loans and bonds payable
— Refundable deposits	-	45	Court lodgment for security of debt
	<u>\$ 63,013,937</u>	<u>\$ 44,258,835</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

### (1) Contingencies

A. The Company received a letter from Taoyuan County Government claiming the Company's violation of request for proposal and other requests of 'the construction contract of Bade City', and Taoyuan County Government terminated the contract and confiscated the performance guarantee. The Company filed an objection against Taoyuan County Government, and recognised the loss for the performance guarantee as 'other gains and losses' by \$129,500.

B. As of December 31, 2014, the significant litigation cases are as follows:

The Company signed an agreement with Mr. Jan in 2006 that if he completes integration of lands on Changchun Section, Zhongshan District, Taipei City and sells to the Company, the Company will purchase the land at a certain price. Mr. Jan completed the integration and sold to the Company, and at the same time, the Company signed a trading contract and paid for the lands.

However, Mr. Jan filed a claim in 2013 to request the Company to pay the brokerage fees of \$97,658 under the agreement. The Company believed Mr. Jan's claim is unreasonable as he did not assist in acquiring all of the lands. The Taipei District Court dismissed Mr. Jan's claim on December 31, 2014.

- C. As of December 31, 2014, major commitments and contingent events of the subsidiary – Farglory Construction were set forth below:

The subsidiary – Farglory Construction was consigned for “Farglory A7” construction contract. The rebar assembly firm Wei Yi Co., Ltd. maliciously possessed the subsidiary – Farglory Construction's rebar amounting to 822.73 tons. The subsidiary – Farglory Construction has filed a complaint against Wei Yi Co., Ltd. in the Taiwan New Taipei District Court contesting Wei Yi Co., Ltd.'s possession of rebar amounting to \$15,914. However, the representative of Wei Yi Co., Ltd. did not appear for the court hearing in September 2013, and the court has ordered the arrest of the representative. The subsidiary – Farglory Construction has provided allowance for bad debts for the full amount of aforementioned accounts receivable.

(2) Commitments

As of December 31, 2014, other than those mentioned in Notes 6 (33) and 7(1), other commitments were as follows:

- A. As of December 31, 2014, the Company has entered into pre-completion contracts for the sale of developed property amounting to NT\$48,517,001 of which NT\$10,950,467 has been received.
- B. As of December 31, 2014, the Company has entered into contracts for the purchase of land but wherein it has not received the legal title amounting to NT\$4,392,903, of which NT\$1,108,871 has been paid.

C. (a) The Company signed trust agreements with financial institutions for its inventory and construction in progress. As of December 31, 2014, contracted trust funds and types of trust funds are summarized as follows:

	Item	Type of trust funds	Bank
E02A	U-Town	Trust fund for advance real estate receipts	Land Bank of Taiwan Co., Ltd.
H75A	Farglory Neo Oriental Plaza	Real estate development trust fund	The Shanghai Commercial & Savings Bank, Ltd.
H76A	Farglory New York	Real estate development trust fund	CTBC Commercial Bank Co., Ltd.
H88A	Farglory Jade Palace	Real estate development trust fund	Land Bank of Taiwan Co., Ltd.
H99A	Farglory Peony Garden	Real estate development trust fund	Trust Department Of Industrial Bank of Taiwan
H102A	Farglory Camellia Palace	Real estate development trust fund	The Shanghai Commercial & Savings Bank, Ltd.
H105A	Farglory Hydrangea Garden	Trust fund for advance real estate receipts	Ta Chong Commercial Bank Co.,Ltd.
H113A	FARGLORY SHINJUKU	Trust fund for advance real estate receipts	China Development Industrial Bank Co.,Ltd.
H115A	Farglory A7	Guarantee for returning advance real estate receipts	Land Bank of Taiwan Co., Ltd.
H117A	FARGLORY H117	Real estate development trust fund	CTBC Commercial Bank Co., Ltd.
H118A	Farglory Resort	Real estate development trust fund	CTBC Commercial Bank Co., Ltd.
H120A	Farglory Long Gang	Trust fund for advance real estate receipts	Hua Nan Commercial Bank, Ltd
H121A	Farglory Long Gang NO.2	Trust fund for advance real estate receipts	Hua Nan Commercial Bank, Ltd
H123A	Farglory H123	Real estate development trust fund	Mega International Commercial Bank Co., Ltd.
H601A	Farglory Energy Architecture	Real estate development trust fund	Mega International Commercial Bank Co., Ltd.
H701A	Farglorly The One	Real estate development trust fund	CTBC Commercial Bank Co., Ltd.
H702A	Farglory W Plaza	Trust fund for advance real estate receipts	Taichung Bank Co.,Ltd.
H703A	Farglory Neo Star	Trust fund for advance real estate receipts	Hua Nan Commercial Bank, Ltd
H802A	Farglory Treasure	Trust fund for advance real estate receipts	Taichung Bank Co.,Ltd.

- (b) The Company cooperated with Farglory International Investment Co., Ltd. to build a mixed factory office building of 'Farglory U-Town' and co-assigned Land Bank of Taiwan Co., Ltd. as the assignee of the building fund and land. The trust fund contract was signed on September 9, 2011, and amended for the second time on June 11, 2014, that the applicant was changed to China Real Estate Management Co., Ltd., added controls for the fund, and assigned China Real Estate Management Co., Ltd. to inspect the construction progress, to examine the financials, etc.
- (c) In order to construct and develop the mixed residential commercial building of 'Farglory Jade Palace', the Company assigned Land Bank of Taiwan Co., Ltd. as the assignee of the building fund and land. The Company signed the trust fund contract on November 29, 2013 and amended the contract for the first time on June 27, 2014, that the applicant was changed to China Real Estate Management Co., Ltd., added controls for the fund, and assigned China Real Estate Management Co., Ltd. to inspect the construction progress, to examine the financials, etc.
- D. Oscar Land Development Co., Ltd. signed a contract with the Company in the amount of \$401,546 to consign the planning and design of the construction to the Company. The Company issued a promissory note of \$12,046 as a guarantee to Oscar Land Development Co., Ltd. The construction was completed and the building rights were transferred to the buyer in October 2013. As of December 31, 2014, consigned construction receivable from Oscar Land Development Co., Ltd. was \$10,100.
- E. The Company had signed joint construction contracts with third parties from 2006 to 2014. As of December 31, 2014, the refundable deposits for joint construction paid by the Company amounted to \$308,681.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Except for Note 6(24), the Company signed a property expropriation development for airport MRT A7 station agreement on March 17, 2015. The Company obtained land ownership of 169 tracts of Niujaopo Section, Guishan District, Taoyuan City after distribution from expropriation. The contract price is \$5,654,600.

#### 12. OTHERS

##### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares to adjust the most appropriate capital structure.

## (2) Financial instruments

### A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, receivables from customers on construction contracts, other receivables, other financial assets, short-term loans, short-term notes and bills payable, notes payable, accounts payable, construction contract payable, other payables, bonds payable and long-term loans) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

### B. Financial risk management policies

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

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

#### (a) Market risk

##### Foreign exchange risk

The Group's risk management objectives are managing operating expenses relating foreign exchange risk, interest rate risk and liquidity risk. In order to minimise related financial risks, the Group focuses on recognising, assessing and hedging unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2014			December 31, 2013		
	Foreign Currency Amount			Foreign Currency Amount		
	(In Thousands)	Exchange Rate	Book Value (NTD)	(In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 29	31.65	\$ 918	\$ 11,029	29.76	\$ 328,223
<u>Non-monetary items</u>						
RMB:NTD	1,387,426	5.09	7,064,775	1,129,902	4.92	5,559,118

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

(Foreign currency: functional currency)	Years ended December 31,					
	2014			2013		
	Sensitivity analysis			Sensitivity analysis		
Degree of Variation	Effect on profit or loss	Effect on other comprehensive income	Degree of Variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ -	\$ -	1%	\$ 3,282	\$ -

#### Interest rate risk

- i. The Group's interest rate risk arises from short-term borrowings, long-term borrowings and short-term notes and bills payable. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the years ended December 31, 2014 and 2013, the Group's borrowings at variable rate were denominated in the NTD.
- ii. At December 31, 2014 and 2013, if interest rates on borrowings at that date had been 0.5% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2014 and 2013 would have been \$154,074 and \$127,380 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables. For banks and financial institutions, only independently rated parties with optimal credit ranking are accepted.
- ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(19)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2014	Less than 1 year	Between 1 and 3 years	Over 3 years
Short-term loans	\$ 5,005,880	\$ 17,429,284	\$ 4,770,820
Commercial papers payable	1,584,375	-	-
Notes payable	227,385	-	-
Accounts payable (including related parties)	5,427,155	2,527,119	1,296,640
Other payables (including related parties)	1,682,413	-	-
Bonds payable (including current portion)	1,834,612	-	-
Long-term loans (including current portion)	60,000	468,500	1,521,500

December 31, 2013	Less than 1 year	Between 1 and 3 years	Over 3 years
Short-term loans	\$ 4,081,030	\$ 11,451,819	\$ 3,720,393
Commercial papers payable	1,193,380	-	-
Notes payable	1,714,377	-	-
Accounts payable (including related parties)	3,757,660	1,667,940	1,317,744
Other payables (including related parties)	2,577,898	-	-
Bonds payable	-	780,250	1,032,335
Long-term loans (including current portion)	60,000	179,500	4,870,500

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

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

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

<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,949</u>	<u>\$ 138,949</u>
<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,328</u>	<u>\$ 87,328</u>

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

C. The fair value of financial instruments that are not traded in an active market (for example,

over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group's redeemed redemption and call options of financial liabilities measured at fair value through profit or loss – convertible corporate bonds belongs to level 3.
- E. Specific valuation techniques used to value financial instruments include:
- (a) Quoted market prices or dealer quotes for similar instruments.
  - (b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
  - (c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- F. The following table presents the changes in level 3 instruments as at, December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
	Derivative financial instruments	Derivative financial instruments
At January 1	\$ 87,328	\$ 47,236
Disposed of in the period	( 4,410)	-
Recognised in current loss	56,031	40,092
At December 31	<u>\$ 138,949</u>	<u>\$ 87,328</u>

10. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A.Loans to others: None.

B.Provision of endorsements and guarantees to others:

Number (Note A)	Endorser/ guarantor	Party being endorsed/ guaranteed		Limit on endorsements/ guarantees provided for a single party (Note C, Note D and Note E)	Maximum outstanding endorsement/ guarantee amount during the year ended December 31, 2014	Outstanding endorsement/ guarantee amount during the year ended December 31, 2014	Actual amount drawn down	Amount of endorsement/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note D and Note E)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor (Note B)											
0	Farglory Land Development Co., Ltd.	Straits Construction Investment (Holdings) Ltd.	6	\$ 7,923,052	\$ 5,194,180	\$ 2,583,725	\$ 2,583,725	\$ -	6.52	\$ 15,846,105	N	N	Y	
0	Farglory Land Development Co., Ltd.	Farglory Dome Co., Ltd.	6	7,923,052	2,460,000	2,460,000	2,460,000	-	6.21	15,846,105	N	N	N	
0	Farglory Land Development Co., Ltd.	Sanxin Outlet Co., Ltd.	6	7,923,052	660,000	660,000	345,000	-	1.67	15,846,105	N	N	N	
1	Farglory Construction Co., Ltd.	Farglory Dome Co., Ltd.	6	1,383,523	1,000,000	1,000,000	1,000,000	-	39.75	1,509,298	N	N	N	

Note A: The number filled for endorsements and guarantees provided by the Company to others are as follows:

- (a) The issuers is numbered "0".
- (b) The investee companies are numbered starting from "1".

Note B: There are six kinds of relationships between the endorser / guarantor and the party being endorsed / guaranteed:

- (a) Trading partner, marked "1".
- (b) Majority owned subsidiary, marked "2".
- (c) The Company and the subsidiary own over 50% ownership of the investee company, marked "3".
- (d) A subsidiary jointly owned by the Company and the Company's directly-owned subsidiary, marked "4".
- (e) Guaranteed by the Company according to the construction contract, marked "5".
- (f) An investee company which is endorsed / guaranteed by the shareholders in accordance with their shareholding proportion since the joint investment, marked "6".

Note C: Calculation for limit on endorsements / guarantees provided for a single party is as follows:

- (a) For the subsidiary which the Company holds more than 90% of the shares, the limit shall be less than the 20% of the Company's net worth.
- (b) Limit on other endorsements / guarantees shall be less than 20% of the Company's net worth.
- (c) For the subsidiary which the Group holds more than 90% of the shares directly or indirectly, the limit shall be less than the 30% of the Group's net worth.
- (d) Limit on other endorsements / guarantees is less than 20% of the Group's net worth.

Note D: Calculation for ceiling on total amount on endorsements / guarantees provided is as follows:

- (a) The Company shall keep the total amount lower than 40% of its net worth.
- (b) The Company and the subsidiary shall keep the total amount lower than 50% of its net worth.

Note E: Calculation for limit on and ceiling on total amount endorsements / guarantees provided for a single party by subsidiaries is as follows:

- (a) Except the amount to a single party shall be kept lower than 60% of its net worth for indirectly owned subsidiaries which the Group holds more than 90% of the shares directly, the subsidiary shall keep amount to a single party lower than 55% of its new worth.
- (b) The subsidiary shall keep the total amount lower than 60% of its net worth.

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

Securities held by	Type of investment	Name of investee companies	Relationship with the securities issuer	General ledger account	Number of shares (1,000 units /in thousands)	Book value	Ownership	Fair value or net worth	Footnote
Farglory Land Development Co., Ltd.	Stock	Farglory Life Insurance Co., Ltd.	Affiliate	Financial assets carried at cost-non-current	31,698	\$ 6,880	2.55%		
	"	Yuan Jing Solar Technology Co., Ltd.	None	"	40,274	<u>310,064</u>	12.77%		
						<u>\$ 316,944</u>			
Farglory Construction Co., Ltd.	Stock	Farglory Free Trade Zone Co., Ltd	Main shareholders of Farglory Free Trade Zone is the same as that of the Company's shareholders	Financial assets at fair value through profit or loss - current	-	\$ 10	0.00%	<u>\$ 10</u>	
		Add: Valuation adjustments				<u>-</u>			
						<u>\$ 10</u>			
	Stock	Farglory Life Insurance Co., Ltd.	Affiliate	Financial assets carried at cost-non-current	657	<u>\$ 549</u>	0.05%		

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

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2014		Addition		Disposal			Balance as at December 31, 2014		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Farglory Land Development Co., Ltd.	Fareast Chuanfu (Chengdu ) Co., Ltd.	Financial assets at fair value through profit or loss – current	-	Investee company accounted for under the equity method	-	\$ 1,757,497	-	\$ 798,426	-	\$ -	-	-	-	\$ 2,555,923

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

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:							
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments	
Farglory Land Development Co., Ltd.	Land held for construction	2014.03	\$ 1,010,000	Paid	Changhua County Government	None	-	-	-	\$ -	-	Public auction	Construction	None
	Land held for construction	2014.03	1,242,000	Paid	Political Warfare Bureau,M.N.D	None	-	-	-	\$ -	-	Public auction	Construction	None

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

Real estate disposed by	Real estate	Date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
Farglory Land Development Co., Ltd.	Inventory - construction in progress	2014.1	Transaction is a sale of inventory; N/A	N/A	\$ 441,120	Received \$128,034 according to the contract	N/A	Client E	None	Obtain gain on disposal	Pirce of \$468,900 appraised by Homeban appraiser firm	None
	"	2014.3	"	"	853,296	Received \$94,890 according to the contract	"	Client A	"	"	Pirce of \$862,254 appraised by Homeban appraiser firm	"
	"	2014.3	"	"	522,036	Received \$151,474 according to the contract	"	Client B	"	"	Pirce of \$517,008 appraised by Homeban appraiser firm	"
	"	2014.6	"	"	488,768	Received \$85,680 according to the contract	"	Client C	"	"	Pirce of \$487,941 appraised by Homeban appraiser firm	"
	"	2014.6	"	"	495,880	Received \$132,964 according to the contract	"	Client D	"	"	Pirce of \$491,578 appraised by Homeban appraiser firm	"
	"	2014.9	"	"	329,702	Received \$90,768 according to the contract	"	Client F	"	"	Pirce of \$324,983 appraised by Homeban appraiser firm	"

Real estate disposed by	Real estate	Date or date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
Farglory Land Development Co., Ltd.	Inventory - buildings, land and investment property held for sale	2014.7	Transaction is a sale of inventory and investment property; N/A	"	\$ 651,820	Received full amount according to the contract	"	Client G	"	"	Pirce of \$646,799 appraised by Homeban appraiser firm	"
	Inventory - land held for construction	2014.11	Transaction is a sale of inventory; N/A	"	997,647	Received full amount according to the contract	"	Client H	"	"	Pirce of \$995,204 appraised by Homeban appraiser firm	"

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes / accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes / accounts receivable (payable)
Farglory Land Development Co., Ltd.	Farglory Construction Co., Ltd.	Subsidiary	(Purchase)	( \$ 12,959,734)	56%	Note A	-	-	(\$ 6,937,123)	74%	
	Tung Yuan Construction Co., Ltd.	Affiliate	( " )	( 1,584,556)	7%	"	-	-	( 667,075)	7%	
Farglory Construction Co., Ltd.	Farglory Land Development Co., Ltd.	The parent company	Sales	12,476,890	82%	"	-	-	6,937,123	90%	
				(Note B)							
	Farglory Dome Co., Ltd.	The investee company accounted for under the equity method	"	858,478	6%	"	-	-	255,543	3%	
	Farglory Free Trade Zone Co., Ltd.	Affiliate	"	570,577	4%	"	-	-	163,455	2%	
	Shin Yu Investment Co., Ltd.	Common chairman	"	270,381	2%	"	-	-	125,784	2%	
	Farglory International Investment Co., Ltd.	Affiliate	"	332,024	2%	"	-	-	96,218	1%	
	Sanxin Outlet Co., Ltd.	The investee company accounted for under the equity method	"	534,244	4%	"	-	-	60,000	1%	

Note A: Progress payments were made in accordance with the contract terms.

Note B: Construction revenues of Farglory Construction Co., Ltd. were recognised under the percentage of completion method during the year ended December 31, 2014.

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

Company	Name of the counterparty	Relationship	Balance as at December 31, 2014	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Farglory Construction Co., Ltd.	Farglory Land Development Co., Ltd.	The parent company	\$ 6,937,123	N/A	\$ -	-	\$ 2,275,985	\$ -
	Farglory Free Trade Zone Co., Ltd.	Affiliate	163,455	"	-	-	-	-
	Farglory Dome Co., Ltd.	The investee company accounted for under the equity method	255,543	"	-	-	107,040	-
	Shin Yu Investment Co., Ltd.	Common Chairmon	125,784	"	-	-	31,446	-

I. Derivative financial instruments undertaken during the year ended December 31, 2014: None.

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

(Individual amounts less than \$10,000 are not disclosed. Corresponding transactions from the other side are also not disclosed.)

For the year ended December 31, 2014

Number (Note A)	Company name	Counterparty	Relationship (Note B)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note C)
0	Farglory Land Development Co., Ltd.	Farglory Construction Co., Ltd.	1	Construction in progress	\$ 6,805,874	Note D	7.10%
				Notes and accounts payable	6,937,123	Note D	7.24%
				Purchases	12,959,734	Note D	72.71%

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

(a) Parent company is '0'.

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

Note B: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(a)Parent company to subsidiary is '1'

(b)Subsidiary to parent company is '2'

(c)Subsidiary to subsidiary is '3'

Note C: For the calculation on the percentage of consolidated total operating revenues or of consolidated total assets, for balance sheet accounts, the calculation was based on the ratio of ending balance of such accounts over the consolidated total assets; as for income statement accounts, the calculation was based on the ratio of the accumulated amount during the period over the consolidated total operating revenues.

Note D:For the construction contracts commissioned through the related party, the contract prices were negotiated and progress payments were made in accordance with terms under the contracts.

(2) Information on investees (not including investees in Mainland China)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares	Ownership (%)	Book value			
Farglory Land Development Co., Ltd.	Farglory Construction Co., Ltd.	Taipei	Construction	\$ 1,613,539	\$ 1,483,539	199,499	99.50	\$ 1,879,789	\$ 319,289	\$ 108,347	Subsidiary
Farglory Land Development Co., Ltd.	Farglory Dome Co., Ltd.	Taipei	Specific development	2,460,000	2,460,000	246,000	27.22	2,399,901	( 86,345)	( 40,171)	Investee company accounted for under the equity method
Farglory Land Development Co., Ltd.	Straits Construction Investment (Holdings) Ltd.	British Virgin Islands	Investment	3,824,872	3,824,872	13	28.78	4,396,896	1,703,127	490,100	Investee company accounted for under the equity method
Farglory Land Development Co., Ltd.	Sanxin Outlet Co., Ltd.	Taipei	Lease of residential and building development	285,000	105,000	285,000	30.00	260,449	( 80,761)	( 24,551)	Investee company accounted for under the equity method
Farglory Construction Co., Ltd.	Farglory Dome Co., Ltd.	Taipei	Specific development	1,130,000	1,000,000	113,000	12.50	1,102,394	( 86,345)	( 15,822)	Investee company accounted for under the equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares	Ownership (%)	Book value			
Farglory Construction Co., Ltd.	Taiwan OBAYASHI, Farglory Construction, Japan OBAYASHI Construction, Joint venture Entity (JV Entity)	Taipei	Specific construction development	-	-	-	45.00	(\$ 12,814)	\$ 88,591	\$ 13,602	Investee company accounted for under the equity method

Note: The profit of Straits Construction Investment (Holdings) Ltd. was RMB\$346,153 thousand for the period and translated at the exchange rate of 4.9202.

## (3) Information on investments in Mainland China

Investee in Mainland China	Main activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Net income of investee as of December 31, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2014	Book value of investments in Mainland China as of December 31, 2014	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2014
					Remitted to Mainland China	Remitted back to Taiwan						
Nanjing Future City Development & Construction	Real Estate Development	\$ 20,377,543 (USD 692,000 in thousands) (Note B)	Investment from the third country	\$ 2,589,108 (USD 89,500 in thousands)	\$ -	\$ -	\$ 2,589,108	1,986,881	28.78	\$ 571,824 (Note A(b) i)	\$ 6,899,313	\$ -
Straits Construction Investment Management and Consultancy (Shanghai) Co., Ltd.	Management Consultant	92,629 (RMB 20,000 in thousands) (USD 3,044 in thousands)	Investment from the third country	24,636 (USD 822 in thousands)	-	-	24,636	1,227	28.78	353 (Note A(b) i)	30,222	-
Pingtang Future City Development & Construction Co., Ltd.	Real Estate Development	2,931,657 (RMB 615,630 in thousands) (USD 96,341 in thousands)	Investment from the third country	781,033 (USD 26,610 in thousands)	-	-	781,033	226,211	28.78	65,104 (Note A(b) i)	1,066,546	-
Pingtang Future City New City Development & Construction Co., Ltd.	Real Estate Development	1,076,461 (RMB 226,050 in thousands) (USD 35,375 in thousands)	Investment from the third country	286,779 (USD 9,771 in thousands)	-	-	286,779	( 25,033)	28.78	( 7,204 ) (Note A(b) i)	293,432	-

Investee in Mainland China	Main activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Net income of investee as of December 31, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2014	Book value of investments in Mainland China as of December 31, 2014	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2014
					Remitted to Mainland China	Remitted back to Taiwan						
Shanghai Daosheng Industry Co., Ltd.	Construction Material Trade	\$ 165,045 (USD 5,500 in thousands)	Investment from the third country	\$ 46,655 (USD 1,537 in thousands)	\$ -	\$ -	\$ 46,655	26,728	28.78	\$ 7,692 (Note A(b) i)	\$ 57,811	\$ -
Hua-Xiong Information Technology Co. Ltd.	Network construction development	56,402 (USD 1,900 in thousands)	Direct investment	27,681 (USD 931 in thousands)	-	-	27,681	( 4,543)	49.00	- (Note A(b) iii)	25,625	-
Fareast Chuanfu (Chengdu ) Co., Ltd.	Real Estate Development	1,757,497 (USD 59,303 in thousands)	Direct investment	1,757,497 (USD 59,303 in thousands)	798,426 (USD 26,499 in thousands)	-	2,555,923	( 3,653)	100.00	( 5,383) (Note A(b) ii)	2,642,254	-
Name of company				Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014			Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)			Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note C)		
Farglory Land Development Co., Ltd.				\$6,311,815			\$14,552,697			\$23,769,157		

Note A: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2014' column:

(a) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(b) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

- i. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- ii. The financial statements that are audited and attested by R.O.C. parent company's CPA.
- iii. Others.

Note B: \$3,624,330 (USD \$125,020 in thousands) of the investment in Straits Investment Ltd., Nanjing was raised by the company in the third territory.

Note C: The ceiling on investment was calculated based on 60% of the net stockholders' equity on December 31, 2014.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.

## 11. SEGMENT INFORMATION

### (1) General information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group's organisation, basis of department segmentation and principles for measuring segment information for the period were not significantly changed.

### (2) Measurement of segment information

The Group's segment profit (loss) is measured with the operating profit (loss) before tax, which is used as the basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

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

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the year ended December 31, 2014	Development Segment	Construction Segment	Dome Segment	Elimination	Total
<u>Total segment revenue</u>					
Revenue from external customers	\$ 16,025,359	\$ 1,798,842	\$ -	\$ -	\$ 17,824,201
Inter-segment revenue	-	13,335,368	-	(13,335,368)	-
Subtotal	<u>\$ 16,025,359</u>	<u>\$ 15,134,210</u>	<u>\$ -</u>	<u>(\$ 13,335,368)</u>	<u>\$ 17,824,201</u>
<u>Segment revenue</u>	<u>\$ 6,057,338</u>	<u>\$ 389,376</u>	<u>(\$ 86,345)</u>	<u>(\$ 258,847)</u>	<u>\$ 6,101,522</u>
<u>Segment assets</u>	<u>\$ 97,806,128</u>	<u>\$ 10,167,128</u>	<u>\$ -</u>	<u>(\$ 12,105,943)</u>	<u>\$ 95,867,313</u>
For the year ended December 31, 2013					
<u>Total segment revenue</u>					
Revenue from external customers	\$ 23,995,659	\$ 1,121,963	\$ -	\$ -	\$ 25,117,622
Inter-segment revenue	-	10,588,390	-	(10,588,390)	-
Subtotal	<u>\$ 23,995,659</u>	<u>\$ 11,710,353</u>	<u>\$ -</u>	<u>(\$ 10,588,390)</u>	<u>\$ 25,117,622</u>
<u>Segment revenue</u>	<u>\$ 7,674,961</u>	<u>\$ 231,635</u>	<u>(\$ 80,687)</u>	<u>(\$ 111,861)</u>	<u>\$ 7,714,048</u>
<u>Segment assets</u>	<u>\$ 80,441,646</u>	<u>\$ 7,608,315</u>	<u>\$ 8,343,889</u>	<u>(\$ 11,364,771)</u>	<u>\$ 85,029,079</u>

(4) Information on products and services

Detail of income balance is as follows:

	Years ended December 31,	
	2014	2013
Development segment	\$ 16,025,359	\$ 23,995,659
Construction segment	1,798,842	1,121,963
Total	<u>\$ 17,824,201</u>	<u>\$ 25,117,622</u>

(5) Geographical information

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

	Years ended December 31,			
	2014		2013	
	Revenue	Non-current Assets	Revenue	Non-current Assets
Taiwan	<u>\$ 17,824,201</u>	<u>\$ 2,303,201</u>	<u>\$ 25,117,622</u>	<u>\$ 9,780,425</u>

(6) Major customer information

For the years ended December 31, 2014 and 2013, the operating revenue from each customer did not exceed 10% of total operating revenue in the statement of comprehensive income; thus, not applicable.