FORMOSA TAFFETA CO.,LTD.

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2009 AND 2008

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

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Report of Independent Accountants Translated from Chinese

To the Board of Directors and Stockholders of FORMOSA TAFFETA CO., LTD.

We have audited the accompanying non-consolidated balance sheets of FORMOSA TAFFETA CO., LTD. as of December 31, 2009 and 2008(restated), and the related non-consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended, expressed in thousands of New Taiwan dollars. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We did not audit the financial statements of certain investees accounted for under the equity method. These long-term investments amounted to $2,960,581 thousand and $2,892,364 thousand as of December 31, 2009 and 2008, respectively, and the related investment income (loss) recognized for the years then ended were $112,557 thousand and $(88,640) thousand, respectively. The financial statements of these companies were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in the non-consolidated financial statements and information disclosed in Note 11 relative to these long-term investments, is based solely on the reports of other auditors.

We conducted our audits in accordance with generally accepted auditing standards and the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

The accompanying non-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 Republic of China. Accordingly, the accompanying non-consolidated financial statements and reports 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.

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In our opinion, based on our audits and the reports of other auditors, the non-consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of FORMOSA TAFFETA CO., LTD. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling", and generally accepted accounting principles in the Republic of China.

We have also audited the consolidated financial statements of FORMOSA TAFFETA CO., LTD. and its subsidiaries for the years ended December 31, 2009 and 2008. Our reports on these consolidated financial statements expressed a modified unqualified opinion.

As described in Note 10, the 2008 financial statements have been restated pursuant to Tax Regulation No. 0980011807 of the Financial Supervisory Commission, Executive Yuan, R.O.C. We have audited the adjustments described in Note 10 that were applied to restate the 2008 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

PricewaterhouseCoopers, Taiwan

March 15, 2010

The accompanying non-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 Republic of China. Accordingly, the accompanying non-consolidated financial statements and reports 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.

FORMOSA TAFFETA CO., LTD.
BALANCE SHEETS
DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	2009 AMOUNT	%	2008 AMOUNT (Restated)	%
Current Assets				
Cash and cash equivalents (Note 4(1))	$ 996,842	2	$ 1,941,230	3
Financial assets at fair value through profit or loss - current (Note 4(2))	160,460	-	33,801	-
Available-for-sale financial assets - current (Note 4(3))	848,599	2	458,778	1
Notes receivable, net (Note 4(5))	158,984	-	174,527	-
Notes receivable, net - related parties (Note 5)	17,653	-	20,095	-
Accounts receivable, net (Note 4(5))	2,288,868	4	2,355,659	4
Accounts receivable, net - related parties (Note 5)	213,697	1	245,369	1
Other receivables (Notes 4(6) and 5)	171,148	-	304,904	1
Inventories (Note 4(7))	4,049,648	6	4,471,622	8
Prepayments	179,627	-	166,161	-
Deferred income tax assets - current (Note 4(18))	186,498	-	205,637	-
Other current assets - other	164,316	-	164,889	-
Total current assets	9,436,340	15	10,542,672	18
Funds and Investments				
Available-for-sale financial assets - non-current (Note 4(3))	34,096,925	53	25,810,111	45
Financial assets carried at cost - non-current (Notes 4(4) and 8)	157,233	-	162,106	-
Long-term equity investments accounted for under the equity method (Note 4(8))	10,247,264	16	9,931,873	18
Other financial assets - non-current (Notes 6 and 7)	18,290	-	20,061	-
Total funds and investments	44,519,712	69	35,924,151	63
Property, Plant and Equipment, Net (Notes 4(9), 5 and 6)				
Cost				
Land	1,222,596	2	1,228,175	2
Land improvements	58,835	-	58,836	-
Buildings	5,935,691	9	5,372,195	10
Machinery and equipment	13,206,668	21	13,183,113	23
Transportation equipment	150,134	-	152,003	-
Other equipment	5,124,722	8	5,133,503	9
Cost and revaluation increments	25,698,646	40	25,127,825	44
Less: Accumulated depreciation	(17,822,251)	(28)	(17,206,030)	(30)
Construction in progress and prepayments for equipment	448,714	1	1,159,245	2
Total property, plant and equipment, net	8,325,109	13	9,081,040	16
Intangible assets				
Deferred pension costs (Note 4(12))	57,022	-	63,451	-
Other intangible assets - other	16,346	-	19,571	-
Total intangible assets	73,368	-	83,022	-
Other Assets				
Assets leased to others (Note 4(9))	521,015	1	317,892	-
Deferred expenses	264	-	4,338	-
Deferred income tax assets - non-current (Note 4(18))	648,168	1	377,206	1
Other assets - other (Notes 4(9) and 7)	961,972	1	912,499	2
Total other assets	2,131,419	3	1,611,935	3
ASSETS	$ 64,485,948	100	$ 57,242,820	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2009 AMOUNT	%	2008 AMOUNT (Restated)	%
Current Liabilities				
Short-term loans (Note 4(10))	$ -	-	$ 837,000	2
Notes payable	43,052	-	11,448	-
Notes payable - related parties (Note 5)	298,310	1	193,333	1
Accounts payable	538,101	1	514,910	1
Accounts payable - related parties (Note 5)	1,198,025	2	680,413	1
Income tax payable (Note 4(18))	-	-	123,257	-
Accrued expenses (Note 5)	795,837	1	748,456	1
Other payables (Notes 4(16) and 5)	69,434	-	52,069	-
Receipts in advance	-	-	-	-
Long-term liabilities - current portion (Notes 4(11) and 6)	113,785	-	113,712	-
Other current liabilities	93,811	-	101,284	-
Total current liabilities	3,150,355	5	3,375,882	6
Long-term Liabilities				
Long-term loans (Notes 4(11) and 6)	8,741,355	13	9,354,848	16
Total long-term liabilities	8,741,355	13	9,354,848	16
Other Liabilities				
Accrued pension liabilities (Note 4(12))	1,141,702	2	858,094	2
Other liabilities - other (Note 4(16))	44,152	-	73,994	-
Total other liabilities	1,185,854	2	932,088	2
Total liabilities	13,077,564	20	13,662,818	24
Stockholders' Equity				
Capital				
Common stock (Note 4(13))	16,846,646	26	16,846,646	30
Capital Reserves (Note 4(14))				
Capital reserve from donated assets	2,032	-	2,032	-
Capital reserve from long-term investments (Note 4(8))	696,475	1	696,659	1
Retained Earnings				
Legal reserve (Note 4(15))	5,076,911	8	4,776,711	8
Special reserve (Note 4(16))	811,811	1	1,675,123	3
Undistributed earnings (Note 4(16))	2,582,698	4	4,455,263	8
Other Adjustments to Stockholders' Equity				
Unrealized gain or loss on financial instruments (Notes 4(3) and 8)	25,770,113	40	15,054,257	26
Cumulative translation adjustments (Note 4(8))	(2,382)	-	237,050	-
Unrecognized pension cost (Note 4(12))	(349,432)	-	(137,251)	-
Treasury stock (Notes 4(8)(17))	(26,488)	-	(26,488)	-
Total stockholders' equity	51,408,384	80	43,580,002	76
Commitments And Contingent Liabilities (Note 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 64,485,948	100	$ 57,242,820	100

The Accompanying notes are an integral part of these financial statements.

See report of independent accountants dated March 15, 2010.

FORMOSA TAFFETA CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

	2009		2008	
	AMOUNT	%	AMOUNT (Restated)	%
Operating Revenue (Note 5)				
Sales	$ 26,824,227	100	$ 28,164,892	100
Sales returns	(66,338)	-	(65,913)	-
Sales discounts	(85,345)	-	(62,091)	-
Net Sales	26,672,544	100	28,036,888	100
Service income	200,305	1	197,902	1
Net Operating Revenues	26,872,849	101	28,234,790	101
Operating Costs (Notes 4(20) and 5)				
Cost of goods sold	(23,235,214)	(87)	(25,296,545)	(90)
Service costs	(160,696)	(1)	(160,654)	(1)
Net Operating Costs	(23,395,910)	(88)	(25,457,199)	(91)
Gross profit	3,476,939	13	2,777,591	10
Operating Expenses (Notes 4(20) and 5)				
Sales and marketing expenses	(1,377,762)	(5)	(1,426,499)	(5)
General and administrative expenses	(442,282)	(2)	(475,036)	(2)
Total Operating Expenses	(1,820,044)	(7)	(1,901,535)	(7)
Operating income	1,656,895	6	876,056	3
Non-operating Income and Gains				
Interest income	18,209	-	42,606	-
Gain on valuation of financial assets (Note 4(2))	-	-	8,260	-
Gain on valuation of financial liabilities (Note 4(2))	6,580	-	93,783	-
Dividend income (Note 4(8))	457,020	2	2,502,425	9
Gain on disposal of property, plant and equipment (Note 5)	15,108	-	21,223	-
Gain on disposal of investments (Notes 4(2)(3)(8))	-	-	171,309	1
Foreign exchange gain, net	-	-	96,923	-
Other non-operating income (Note 5)	173,063	1	138,348	1
Non-operating Income and Gains	669,980	3	3,074,877	11
Non-operating Expenses and Losses				
Interest expense (Note 4(9))	(109,410)	-	(252,498)	(1)
Loss on valuation of financial assets (Note 4(2))	-	-	(39,291)	-
Loss on valuation of financial liabilities (Note 4(2))	(33,801)	-	-	-
Investment loss accounted for under the equity method (Note 4(8))	(138,016)	(1)	(8,478)	-
Other investment loss (Notes 4(4)(8))	(1,530)	-	-	-
Loss on disposal of property, plant and equipment	(1,710)	-	(11,901)	-
Foreign exchange loss	(73,225)	-	-	-
Impairment loss (Notes 4(3)(4)(9))	(2,017,692)	(8)	(77,857)	-
Other non-operating losses (Note 7)	(112,628)	(1)	(277,046)	(1)
Non-operating Expenses and Losses	(2,488,012)	(10)	(667,071)	(2)
(Loss) income from continuing operations before income tax	(161,137)	(1)	3,283,862	12
Income tax benefit (expense) (Note 4(18))	252,457	1	(277,604)	(1)
Net income	$ 91,320	-	$ 3,006,258	11

	2009 Before Tax	2009 After Tax	2008 Before Tax	2008 After Tax
Basic earnings per share (Note 4(19))				
Net (loss) income	($ 0.10)	$ 0.05	$ 1.95	$ 1.79
Assuming shares held by subsidiary not deemed as treasury stock				
Net (loss) income	($ 161,137)	$ 91,320	$ 3,283,862	$ 3,006,258
Basic earnings per share				
Net (loss) income	($ 0.10)	$ 0.05	$ 1.95	$ 1.78

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 15, 2010.

FORMOSA TAFFETA CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Capital Reserves		Retained Earnings							
	Common stock	Capital reserve from donated assets	Capital reserve from long-term investments	Legal reserve	Special reserve	Undistributed earnings	Unrealized gain or loss on financial instruments	Cumulative translation adjustments	Unrecognized pension cost	Treasury stock	Total
Year 2008(Restated)											
Balance at January 1, 2008	$ 16,846,646	$ 2,032	$ 696,936	$ 4,039,332	$ 1,294,725	$ 8,006,311	$ 30,058,121	$ 274,490	($ 386,653)	($ 26,488)	$ 60,805,452
Appropriation of legal reserve	-	-	-	737,379	-	(737,379)	-	-	-	-	-
Appropriation of special reserve	-	-	-	-	894,042	(894,042)	-	-	-	-	-
Appropriation of cash dividends	-	-	-	-	-	(5,390,927)	-	-	-	-	(5,390,927)
Appropriation of remuneration to directors and supervisors and employee bonuses	-	-	-	-	-	(48,602)	-	-	-	-	(48,602)
Special reserve converted to unappropriated retained earnings	-	-	-	-	(513,644)	513,644	-	-	-	-	-
Cumulative translation adjustment derived from long-term foreign investments	-	-	-	-	-	-	-	(37,440)	-	-	(37,440)
Net income for 2008	-	-	-	-	-	3,006,258	-	-	-	-	3,006,258
Unrealized gain or loss on available-for-sale financial instruments	-	-	-	-	-	-	(14,620,943)	-	-	-	(14,620,943)
Transfer of unrealized valuation losses on long-term equity investments	-	-	(277)	-	-	-	(382,921)	-	-	-	(383,198)
Unrecognized pension cost	-	-	-	-	-	-	-	-	249,402	-	249,402
Balance at December 31, 2008	$ 16,846,646	$ 2,032	$ 696,659	$ 4,776,711	$ 1,675,123	$ 4,455,263	$ 15,054,257	$ 237,050	($ 137,251)	($ 26,488)	$ 43,580,002

(Continued)

FORMOSA TAFFETA CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Capital Reserves		Retained Earnings							
	Common stock	Capital reserve from donated assets	Capital reserve from long-term investments	Legal reserve	Special reserve	Undistributed earnings	Unrealized gain or loss on financial instruments	Cumulative translation adjustments	Unrecognized pension cost	Treasury stock	Total
Balance at January 1, 2009	$ 16,846,646	$ 2,032	$ 696,659	$ 4,776,711	$ 1,675,123	$ 4,455,263	$ 15,054,257	$ 237,050	($ 137,251)	($ 26,488)	$ 43,580,002
Appropriation of legal reserve	-	-	-	300,200	-	(300,200)	-	-	-	-	-
Distribution of cash dividends	-	-	-	-	-	(2,526,997)	-	-	-	-	(2,526,997)
Special reserve converted to unappropriated retained earnings	-	-	-	-	(863,312)	863,312	-	-	-	-	-
Net income for 2009	-	-	-	-	-	91,320	-	-	-	-	91,320
Cumulative translation adjustment derived from long-term foreign investments	-	-	-	-	-	-	-	(239,432)	-	-	(239,432)
Unrealized gain or loss on available- for- sale financial instruments	-	-	-	-	-	-	8,194,221	-	-	-	8,194,221
Unrealized impairment on available- for- sale financial instruments	-	-	-	-	-	-	2,013,044	-	-	-	2,013,044
Unrealized gain or loss on financial instruments held by investees	-	-	-	-	-	-	508,591	-	-	-	508,591
Adjustments due to changes in stockholders' equity of investee companies	-	-	(184)	-	-	-	-	-	-	-	(184)
Unrealized pension cost	-	-	-	-	-	-	-	-	(212,181)	-	(212,181)
Balance at December 31, 2009	$ 16,846,646	$ 2,032	$ 696,475	$ 5,076,911	$ 811,811	$ 2,582,698	$ 25,770,113	($ 2,382)	($ 349,432)	($ 26,488)	$ 51,408,384

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 15, 2010.

FORMOSA TAFFETA CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009	2008 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 91,320	$ 3,006,258
Adjustments to reconcile net income to net cash provided by operating Activities		
Depreciation	919,107	920,761
Amortization	16,748	16,634
Gain on valuation of financial assets and liabilities	28,361	(62,752)
Impairment loss	2,017,692	-
Investment loss accounted for under the equity method	138,016	8,478
Cash dividends from investments accounted for under the equity method	328,543	959,235
Provision for inventory obsolescence	(64,260)	129,716
Other investment loss	1,530	-
Gain on disposal of investments	-	(171,309)
Gain on disposal of property, plant and equipment	(13,398)	(9,323)
Impairment on land	-	77,857
Other losses	-	165,796
Changes in assets and liabilities		
Financial assets and liabilities at fair value through profit or loss	(155,020)	450,283
Notes and accounts receivable (including related parties)	116,448	203,469
Other receivables	133,756	65,624
Inventories	486,234	849,283
Prepayments	(13,466)	271,100
Deferred tax assets	(251,823)	126,627
Other current assets	1,928	72,067
Notes and accounts payable (including related parties)	677,384	(746,694)
Accrued expenses	47,381	(209,278)
Income tax payable	(123,257)	(314,196)
Other payables	17,365	(2,392)
Other current liabilities	(26,424)	2,805
Accrued pension liabilities	77,857	113,111
Net cash provided by operating activities	4,452,022	5,923,160
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in available –for-sale financial assets	(482,414)	(372,221)
Disposal of available-for-sale financial assets	-	262,359
Increase in financial assets at cost increased	-	(76,032)
Increase in long-term equity investments	(515,635)	(599,007)
Acquisition of property, plant and equipment	(366,882)	(1,430,280)
Disposal of property, plant and equipment	16,645	25,600
Acquisition of idle assets	-	(149)
Increase in intangible assets	-	(1,143)
Increase in deferred expense	(9,448)	(6,165)
Decrease (increase) in other financial assets-non current	1,771	(2,098)
Decrease (increase) in refundable deposits	(17,462)	4,843
(Increase) decrease in other assets-others	(34,676)	3,387
Net cash used in investing activities	(1,408,101)	(2,190,906)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of cash dividends	(2,526,997)	(5,390,927)
Payments of remuneration to directors and supervisors and employee bonuses	-	(48,602)
Decrease (increase) in short-term loans	(837,000)	625,091
Increase in long-term loans	-	2,990,681
Decrease in long-term loans	(614,577)	(756,029)
Increase (decrease) in deposits received	11,145	(5,071)
(Decrease) increase in other liabilities	(22,037)	19,817
Net cash used in financing activities	(3,989,466)	(2,565,040)
Effect due to changes in foreign exchange	1,157	20,549
(Decrease) increase in cash and cash equivalents during the year	(944,388)	1,187,763
Cash and cash equivalents at beginning of year	1,941,230	753,467
Cash and cash equivalents at end of year	$ 996,842	$ 1,941,230
Supplemental disclosure of cash flow information		
Interest paid (not including interest capitalized)	$ 119,621	$ 262,929
Income tax paid	$ 122,623	$ 465,171
Financing activities with no effect on cash flows		
Current portion of long-term loans	$ 113,785	$ 113,712

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 15, 2010.

FORMOSA TAFFETA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(EXPRESSED IN NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Formosa Taffeta Co., Ltd. (the "Company") was incorporated on April 19, 1973 under the provisions of the Company Law of the Republic of China (R.O.C.). The major operations of the Company are production and sales of nylon fabrics, tire cords, high density ethylene, yarns, mixed woven yarns, artificial yarns, synthetic fiber yarns, woven fabrics, dyeing, bulletproof vests, jackets, industrial work clothes and refinery operations of gasoline, diesel fuel, etc. Formosa Chemicals & Fiber Corp. has significant control over the Company since Formosa Chemicals & Fiber Corp. holds over half of the Board seats after the stockholders' meeting on June 27, 2008. Since June 27, 2008, Formosa Chemicals & Fiber Corp. became the Company's parent company and accordingly, the Company and its subsidiaries are included in its consolidated financial statements. As of December 31, 2009, the Company had 4,681 employees.

The details of each department are as follows:

Business departments	The major activities
First department: fabrics & dyeing	Amine fabrics, polyester fabrics, cotton fabrics, blending fabrics and umbrella ribs.
Second department: cord fabrics, petroleum & others	Cord, plastics bags, refineries for gasoline, diesel, crude oil and the related petroleum products, cotton fibers, blending fibers and protection fibers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and accounting principles generally accepted in the Republic of China. The Company's significant accounting policies are as follows:

1) Foreign currency transactions

a) The Company maintains its accounts in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the spot exchange rates prevailing at the transaction dates. Exchange gains or losses due to the difference between the exchange rates on the transaction date and the exchange rates on the date of actual receipt and payment are recognized in current year's profit or loss.

b) Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.

c) At the end of the year, foreign currency non-monetary assets and liabilities, which are recognized in profit or loss based on fair value measurement and changes, are evaluated for adjustments at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses on adjustments are recognized in the current year's profit or loss; foreign currency non-monetary assets and liabilities, which are recognized in "stockholders' equity adjustments" based on fair value measurement and changes, are evaluated for adjustments at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses on adjustments are recognized as "stockholders' equity adjustments"; foreign currency non-monetary assets and liabilities, which are not measured based on fair value, are evaluated using the historical exchange rate at the date of the transaction.

2) Criteria for classifying assets and liabilities as current or non-current items

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

(1) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;

(2) Assets held mainly for trading purposes;

(3) Assets that are expected to be realized within twelve months from the balance sheet date; and

(4) 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:

(1) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

(2) Liabilities arising mainly from trading activities;

(3) Liabilities that are to be paid off within twelve months from the balance sheet date; and

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

3) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and other short-term highly liquid investments which are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

4) Financial assets and financial liabilities at fair value through profit or loss

a) Financial assets and financial liabilities at fair value through profit or loss for equity financial instruments, beneficiary certificates and derivative financial instruments are recognized and derecognized as of the trade date at fair value.

b) These financial instruments are subsequently evaluated and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

c) Financial instruments that meet any of the following criteria are designated as financial assets or financial liabilities at fair value through profit or loss.

(1) The instrument is a mixed financial instrument;

(2) The instrument is designated as a financial asset or liability at fair value through profit or loss in order to eliminate or substantially reduce the inconsistency in accounting measurement or recognition;

(3) The instrument is managed in accordance with the Company's documented risk management and investment strategies, and its performance is evaluated on a fair value basis.

5) Available-for-sale financial assets

a) Available-for-sale financial assets are recognized and derecognized using trade date accounting and are initially stated at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

b) The financial assets are evaluated and stated at fair value, and the gain or loss is recognized in equity, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. The fair values of listed stock OTC stocks and closed-end mutual funds are based on latest quoted fair prices of the accounting period. The fair values of open-end and balanced mutual funds are based on the net asset value at the balance sheet date.

c) If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be transferred from equity to profit or loss. When the fair value of an equity instrument subsequently increases, impairment losses recognized previously in profit or loss shall not be reversed. When the fair value of a debt instrument subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss recognized in profit or loss.

6) Financial assets and financial liabilities carried at cost

a) Investment in financial instruments without active markets is recognized and derecognized using trade date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

b) If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.

7) Accounts receivable

Accounts receivable are claims resulting from the sale of goods or services. The fair value of accounts receivable is calculated based on the imputed interest rate. Accounts receivable which are collectible within one year, and where the difference between the fair value and the value at maturity is insignificant are measured at carrying value.

8) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the results of evaluating the collectibility of notes and accounts receivable and other receivables, taking into account the bad debts incurred in prior years and the aging analysis of the receivables.

9) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. Cost is determined based on the weighted-average method. At the end of year, inventories are evaluated at the lower of aggregate cost or market value. The market value is based on the replacement cost for raw materials and supplies and net realizable value for work in process, finished goods and merchandise. Allowance for slow moving items and decline in the market value is provided when necessary.

Effective January 1, 2009, the Company adopted the amendments to R.O.C. Statement of Financial Accounting Standards No. 10, "Accounting for Inventories" whereby, at the end of year, inventories are evaluated at the lower of cost or net realizable value, and 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.

10) Long-term equity investments accounted for under the equity method

a) Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized, retrospective adjustment of the amount of goodwill amortized in previous years is not required. The excess of acquired net asset value of investee over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets, and any remaining amount of such excess after this allocation is credited to extraordinary gains. Majority owned subsidiaries, in which the Company owns more than 50% of the investee companies' voting rights or has significant control ability on the investee's operations are accounted for under the equity method and included in quarterly consolidated financial statements.

b) Exchange differences arising from translation of the financial statements of overseas investee companies is accounted for under the equity method are recorded as "cumulative translation adjustments" under stockholders' equity.

c) The unrealized gains or losses between the Company and investees or subsidiaries are eliminated.

11) Property, plant and equipment

a) Property, plant and equipment are stated at cost. Interest incurred during the construction or installation of the assets is capitalized.

b) Depreciation is provided under the straight-line method based on the estimated economic service lives of the assets. Salvage value of fully depreciated assets that are still in use is depreciated over the re-estimated useful lives. The estimated useful lives are 25-60 years for main buildings and 3–11 years for subsidiary buildings, and 2-10 years for other property, plant and equipment.

c) Major renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred. Gain (loss) on disposal of property, plant and equipment is recorded in the current year's non-operating income (loss).

d) Assets leased to others are reclassified to "other assets" at book value. Depreciation provided on these assets is recognized as non-operating expenses and losses.

e) Property, plant and equipment that are idle or have no value in use are reclassified to "other assets" at the lower of the fair value less costs to sell or book value. The resulting difference is included in current operations. Depreciation provided on these assets is charged to non-operating expense.

12) Intangible assets

Intangible assets, mainly gas station licensing fee and the alienation of the land-use rights, are amortized over the estimated life of 10 to 20 years.

13) Deferred assets

Deferred assets, mainly technical support costs and circuit support costs, are amortized on a straight-line basis over their estimated useful lives.

14) Impairment of non-financial assets

a) The Company recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life.

b) When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

15) Derivative financial instruments

a) The Company has utilized derivative instruments like forward exchange contracts and interest rate exchange contracts to hedge risk exposure of interest rates and foreign currency exchange rates. The Company recognized those derivative instruments at their fair value initially and subsequently. Derivative instruments are recognized as an asset when the fair value is positive and as a liability when the fair value is negative.

b) If derivative instruments do not meet the hedging accounting requirements, the variation of fair value will be recognized as profit or loss.

16) Retirement plan and pension reserve

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. The net periodic pension costs include service cost, interest cost, and expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

17) Income tax

a) Provision for income tax includes deferred income tax resulting from temporary differences, investment tax credits and loss carryforward. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior years' income tax liabilities is included in current year's income tax.

b) Investment tax credits arising from expenditures incurred on acquisitions of equipment or technology, research and development, employees' training, and equity investments are recognized in the year the related expenditures are incurred.

c) An additional 10% tax is levied on the undistributed retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

d) If the regular income tax is equal or more than the basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas the regular income tax is less than the basic tax, the income tax payable shall be equal to the basic tax.

e) When a change in the tax laws is enacted, the deferred tax liability or asset is recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, is recognized as an adjustment to current income tax expense (benefit).

18) Treasury stock

The Company has adopted the principle that stocks held by the subsidiaries are accounted as treasury stocks when recognizing investment revenues and preparing for financial statements since year 2002. Costs of treasury stocks are considered as deductions to stockholders' equity.

19) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock 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.

20) Earnings per share

Simple earnings per share are calculated based on the weighted-average number of outstanding shares during the period. The number of shares outstanding should be retroactively adjusted if the number of shares outstanding increases as a result of stock dividends.

21) Recognition of revenues, costs and expenses

Revenues are recognized when the earning process is substantially completed and are realized or realizable. Costs are recognized when the related revenues are incurred. Expenses are recognized as incurred under the accrual basis.

22) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses reported during the period. Actual results could differ from those assumptions and estimates.

3. CHANGES IN ACCOUNTING PRINCIPLES

1) Inventories

Effective January 1, 2009, the Company adopted the amendments to R.O.C. Statement of Financial Accounting Standards No. 10, "Accounting for Inventories". This change in accounting principle had no significant effect on 2009 net income.

2) Employees' bonuses and directors' and supervisors' remuneration

Effective January 1, 2008, the Company adopted EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007. As a result of the adoption of EITF 96-052, net income decreased by $43,956 and earnings per share decreased by $0.03 (in dollars) for the year ended December 31, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31,	
	2009	2008
Cash on hand	$ 8,302,000	$ 7,811,744
Checking and demand deposits	922,240,355	1,737,632,681
Time deposits	12,000,000	11,000,000
Cash equivalents-commercial paper	54,300,000	184,785,776
	$ 996,842,355	$ 1,941,230,201

2) Financial assets at fair value through profit or loss

	December 31,	
	2009	2008
Financial assets held for trading		
Beneficiary certificate	$ 155,000,000	$ -
Derivatives	5,439,718	33,800,757
	160,439,718	33,800,757
Adjustment of financial assets held for trading	20,565	-
	$ 160,460,283	$ 33,800,757

a) The Company recognized net (loss) gain of $(27,221,020) and $62,751,490 for the years ended December 31, 2009 and 2008, respectively.

b) The trading items and contract information of derivatives are as follows:

		December 31, 2009			
		Contract Amount		Fair Value	Contract Period
Financial assets Forward exchange contracts	Sell	JPY	323,050,000	$ 3,760,732	98.08～99.04
		USD	7,200,000	1,678,986	98.12～99.01
				$ 5,439,718	

		December 31, 2008			
		Contract Amount		Fair Value	Contract Period
Financial assets					
Forward exchange contracts	Buy	USD	5,308,602.72	-	97.09～98.04
		JPY	113,800,000.00	-	
		NTD	105,078,723.00	-	
	Sell	USD	4,329,716.92	-	97.09～98.04
		JPY	519,300,000.00	-	
Interest rate swap futures		NTD	3,500,000,000.00	$ 33,800,757	93.09～98.11

c) The forward exchange contracts are buy (sell) to hedge the change of exchange rate due to import and export, but not adopting hedge accounting.

d) The interest rate swap contracts entered with financial institutions are received and paid according to floating interest rate and fixed interest rate to hedge the change of interest rate, but not adopting hedge accounting.

e) The expected cash inflow of unsettled forward exchange contracts is NTD 348,529,555; and cash outflow is JPY 323,050,000 and USD7,200,000.

3) Available-for-sale financial assets

	December 31,	
	2009	2008
Current items:		
Listed (TSE and OTC) stocks	$ 895,893,009	$ 895,893,009
Adjustment of available-for-sale financial assets	(47,294,453)	437,115,075
	$ 848,598,556	$ 458,777,934
Non-current items:		
Listed (TSE and OTC) stocks	$ 8,321,196,223	$ 9,851,826,839
Adjustment of available-for-sale financial assets	25,775,729,088	15,958,284,685
	$ 34,096,925,311	$ 25,810,111,524

As Nan Ya Technology Corporation, an investee, incurred a permanent loss in 2009, Formosa Taffeta Co. Ltd. recognized an investment loss amounting to $2,013,043,696 for the year ended December 31, 2009. The details of the Company's disposal of Formosa Petrochemical Corp.'s shares of stock for the year ended December 31, 2008, are as follows:

	2008
Shares disposed	2,608,000
Selling price	$ 207,464,517
Cost	(41,074,450)
Gain on disposal	$ 166,390,067

4) Financial assets carried at cost-non-current

	December 31,	
	2009	2008
Unlisted stocks	$ 157,232,373	$ 162,105,778

a) The investment in the Company was measured at cost since its fair value cannot be measured reliably.

b) The parent company and the Company invested in Formosa Industry Corporation. As the parent company and the Company had significant influence over the investee due to holding significant voting shares, the investment was reclassified as long-term equity investment accounted for under the equity method as of June 30, 2008. Please see Note 4(8).

c) The investee Genesis Semi Inc., had gone into liquidation and the related liquidation procedures had been completed. The Company recognized investment loss of $224,988 at cost.

d) Terax Communication Technologies Inc., a financial asset measured at cost-non-current, has decreased its capital as approved during the shareholders' meeting on

June 20, 2009. The rate of capital decrease was 58.96%. The Company has recognized investment loss of $4,648,417.

5) Notes and Accounts receivable, net

	December 31, 2009	December 31, 2008
Notes receivable	$ 160,949,478	$ 176,492,844
Less: Allowance for doubtful accounts	(1,965,882)	(1,965,882)
	$ 158,983,596	$ 174,526,962
Accounts receivable	$ 2,347,374,163	$ 2,414,164,966
Less: Allowance for doubtful accounts	(58,505,756)	(58,505,756)
	$ 2,288,868,407	$ 2,355,659,210

6) Other receivables

	December 31, 2009	December 31, 2008
Other receivables	$ 65,112,513	$ 43,652,409
Other receivables-related parties	108,808,200	264,023,820
	173,920,713	307,676,229
Less: Allowance for doubtful accounts	(2,772,220)	(2,772,220)
	$ 171,148,493	$ 304,904,009

7) Inventories

	December 31, 2009	December 31, 2008
Raw materials	$ 450,647,697	$ 470,031,902
Supplies	34,869,627	56,569,873
Work in process	1,251,730,372	1,256,347,741
Finished goods	2,647,894,390	3,104,801,184
Inventory in transit	189,661,248	262,959,072
Finished goods and raw materials on consignment	45,246,048	132,538,611
	4,908,002,938	5,394,236,716
Less: Allowance for obsolescence and market price decline	(858,354,915)	(922,615,192)
	$ 4,049,648,023	$ 4,471,621,524

Expense and loss incurred on inventories in current period:

	2009	2008
Cost of inventories sold	$ 23,321,476,837	$ 25,168,069,948
(Gain from recovery) provision for inventory valuation and obsolescence	(64,260,277)	129,715,612
Others	(22,002,318)	(1,240,512)
	$ 23,235,214,242	$ 25,296,545,048

8) Long-term equity investments accounted for under the equity method

a) Details are as follows:

	December 31,			
	2009		2008	
Investee Company	Cost	%	Cost	%
Formosa Development Co., Ltd.	$ 158,015,723	99.40	$ 165,764,156	99.40
Formosa Taffeta (Hong Kong) Co., Ltd.	495,022,946	99.90	327,602,450	99.86
Formosa Advanced Technologies Co., Ltd.	5,518,477,481	65.68	5,251,910,851	65.68
F.T.C International S.r.l.	-	-	3,100,975	100.00
Formosa Taffeta (Zhong Shan) Co., Ltd.	1,273,182,475	100.00	1,459,995,358	100.00
Formosa Taffeta Vietnam Co., Ltd.	742,993,120	100.00	730,482,731	100.00
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	10,594,694	100.00	11,227,505	100.00
Schoeller F.T.C. (Hong Kong) Co., Ltd.	6,974,705	43.00	11,398,486	43.00
Kuang Yueh Co., Ltd.	154,773,232	24.13	135,042,147	24.13
Taffeta (Dong Nai) Co, Ltd.	606,524,682	100.00	714,204,820	100.00
Formosa Industry Co., Ltd.	1,280,704,788	10.00	1,121,143,739	10.00
	$ 10,247,263,846		$ 9,931,873,218	

b) Investment income (loss) accounted for under the equity method are set forth below:

Investee Company	2009	2008
Formosa Development Co., Ltd.	$ 3,453,947	$ 17,635,916
Formosa Taffeta (Hong Kong) Co., Ltd.	(115,873,831)	(234,893,648)
Formosa Advanced Technologies Co., Ltd.	48,439,785	663,906,113
F.T.C International S.r.l.	-	-
Formosa Taffeta (Zhong Shan) Co., Ltd.	(183,139,383)	(348,850,926)
Formosa Taffeta Vietnam Co., Ltd.	75,773,212	(83,721,308)
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	(360,347)	14
Schoeller F.T.C. (Hong Kong) Co., Ltd.	10,024,891	13,602,500
Kuang Yueh Co., Ltd.	36,356,478	32,672,227
Taffeta (Dong Nai) Co., Ltd.	(53,918,126)	(30,553,679)
Formosa Industry Co., Ltd.	41,227,057	(38,275,348)
	($ 138,016,317)	($ 8,478,139)

The investment income (loss) of investee companies under the equity method was based on financial reports audited by other auditors for the years 2009 and 2008, except for Formosa Taffeta (Hong Kong) Co., Ltd., Formosa Advanced Technologies Co., Ltd., and Formosa Taffeta (Zhong Shan) Co., Ltd.

c) The effect of foreign currency exchange translation of long-term investments under the equity method as of December 31, 2009 and 2008 are summarized as follows:

	December 31,	
Investee Company	2009	2008
Formosa Taffeta (Hong Kong) Co., Ltd.	$ 91,070,639	$ 99,726,801
F.T.C International S.r.l.	-	441,698
Formosa Taffeta (Zhong Shan) Co., Ltd.	419,480,106	423,153,606
Formosa Taffeta Vietnam Co., Ltd.	(198,733,350)	(135,470,527)
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	5,930,846	6,203,310
Schoeller F.T.C. (Hong Kong) Co., Ltd.	(2,764,705)	(2,460,883)
Kuang Yueh Co., Ltd.	2,073,720	5,967,825
Taffeta (Dong Nai) Co., Ltd.	(102,668,333)	(48,906,321)
Formosa Industry Co., Ltd.	(216,771,098)	(111,605,330)
	($ 2,382,175)	$ 237,050,179

d) The Company has adopted the revised R.O.C. Statement of Financial Accounting Standards No. 7, "Consolidation of Financial Statements" to account for equity investments above 50%, directly or indirectly, or for investment holdings of less than 50% but with significant influence on the operation of the investees, in the consolidation report for the years ended December 31, 2009 and 2008. The consolidated subsidiaries do not include Kuang Yueh Co., Ltd. and Formosa Industry Co., Ltd.

e) Formosa Chemicals & Fiber Corp., Nan Ya Plastics Corp., King Car Food Industrial Co. and the Company incorporated Formosa Industry Corporation. For the year ended December 31, 2008, the parent company and the Company hold more than 50 percent of the shares in Formosa Industry Corporation. Accordingly, it was reclassified from financial assets carried at cost of USD27,710,000 to long-term equity investments under the equity method.

f) Formosa Development Co., Ltd., one of the Company's subsidiaries, had held the Company's stocks since January 1, 2002. Those stocks were accounted as treasury stocks at cost. Please see Note 4(17).

g) FTC International S.r.l, one of the Company's subsidiaries, was liquidated. The company recognized investment loss of $1,304,368 for the year ended December 31, 2009.

9) Property, plant and equipment

Asset	December 31, 2009 Cost	Accumulated Depreciation	Net Book Value
Land	$ 1,222,596,164	$ -	$ 1,222,596,164
Buildings and improvements	58,835,353	(54,037,227)	4,798,126
Machinery and equipment	5,935,690,579	(2,335,000,774)	3,600,689,805
Transportation equipment	13,206,667,861	(10,850,488,032)	2,356,179,829
Office equipment	150,134,299	(144,188,575)	5,945,724
Other equipment	5,124,722,179	(4,438,536,826)	686,185,353
Prepayments for equipment and construction in progress	448,714,226	-	448,714,226
	$26,147,360,661	($ 17,822,251,434)	$ 8,325,109,227

Asset	December 31, 2008 Cost	Accumulated Depreciation	Net Book Value
Land	$ 1,228,174,897	$ -	$ 1,228,174,897
Buildings and improvements	58,835,353	(53,112,651)	5,722,702
Buildings	5,372,195,249	(2,139,345,088)	3,232,850,161
Machinery and equipment	13,183,113,351	(10,581,182,043)	2,601,931,308
Transportation equipment	152,003,292	(145,282,563)	6,720,729
Other equipment	5,133,502,384	(4,287,107,523)	846,394,861
Prepayments for equipment and construction in progress	1,159,245,162	-	1,159,245,162
	$26,287,069,688	($ 17,206,029,868)	$ 9,081,039,820

a) The Company has pledged certain property, plant and equipment to secure bank loans. Please see Note 6.

b) Interest expense before capitalization to property, plant and equipment amounted to $110,453,939 and $260,402,878, and interest capitalized to property, plant and equipment amounted to $1,043,947 and $7,904,728 for the years ended December 31, 2009 and 2008, respectively, at the rate of approximately 0.34%~1.44% and 0.60%~3.10%, respectively.

c) Parts of the land were registered as agriculture use, and were reclassified as other assets-others as follows:

	December 31, 2009	December 31, 2008
Land at cost	$ 329,541,454	$ 331,218,410
Accumulated impairment	(77,857,047)	(77,857,047)
	$ 251,684,407	$ 253,361,363

The titles of the land had not yet been transferred to the Company, but mortgaged to the Company in the amount of $526,350,000 both in 2009 and 2008

d) Parts of the land were not used for business operations, and were reclassified as other assets-land:

	December 31,	
	2009	2008
Land at cost	$ 674,210,087	$ 675,197,662
Accumulated impairment	(77,880,705)	(77,880,705)
	$ 596,329,382	$ 597,316,957

e) As of December 31, 2009 and 2008, $521,015,391 and $317,891,974 of land, buildings and prepayments for land leased to Formosa Advanced Technologies Co., Ltd. were reclassified as other assets - assets leased to others.

10) Short-term loans

	December 31,	
	2009	2008
Purchase loans	$ -	$ -
Unsecured loans	-	837,000,000
	$ -	$ 837,000,000
Interest rate	-	1.75%~2.06%
Unused credit lines	$ 6,777,590,615	$ 6,613,934,344

11) Long-term loans

		December 31,	
Type of loans	Way of Repayment	2009	2008
Secured bank loans	Installment	$ 455,140,509	$ 568,560,439
Unsecured bank loans	Upon maturity	8,400,000,000	8,900,000,000
		8,855,140,509	9,468,560,439
Less: Current portion		(113,785,127)	(113,712,088)
		$ 8,741,355,382	$ 9,354,848,351
Interest rate		0.35%~1.09%	0.60%~3.10%

Please see Note 6 for the carrying amount of pledged assets.

The above long-term loans include a loan for $1,500,000,000, which requires the Company to maintain a current ratio of not lower than 100% within the contract period. The ratio calculation was based on the Company's financial statements audited by a CPA.

If the Company fails, it should improve no later than September of the following year. The Company should provide the audit report to banks no later than April of the following year.

Long-term loans as of December 31, 2009 and 2008 will be repaid in five years as follows:

	December 31,	
	2009	2008
January 1, 2009~December 31, 2009	$ -	$ 113,712,088
January 1, 2010~December 31, 2010	113,785,127	6,013,765,106
January 1, 2011~December 31, 2011	6,813,785,127	3,113,765,106
January 1, 2012~December 31, 2012	1,813,785,127	113,765,106
January 1, 2013~December 31, 2013	113,785,128	113,553,033
	$ 8,855,140,509	$9,468,560,439

12) Pension plans

a) The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the trust department of Bank of Taiwan, formerly Central Trust of China, the trustee, under the name of the independent retirement fund committee.

The following sets forth the pension information based on the actuarial report:

b) Actuarial assumptions are as follows:

I) For the years ended December 31, 2009 and 2008, discount rate was 2.50% for both years, expected rate of return on plan assets was 2.50% for both years, and adjustment of salary was 2.00% and 1.50%, respectively. Unrecognized net transition obligation is amortized on a straight-line basis over 23 years.

II) Funded status of the pension plan

	December 31,	
	2009	2008
Benefit obligation:		
Vested benefit obligation	$ 595,012,000	$ 467,213,000
Non-vested benefit obligation	1,103,831,000	1,016,074,000
Accumulated benefit obligation	1,698,843,000	1,483,287,000
Additional benefits based on future		

salaries	660,608,000	413,227,000
Projected benefit obligation	2,359,451,000	1,896,514,000
Plan assets at fair value	(557,141,000)	(625,192,000)
Funded status	1,802,310,000	1,271,322,000
Unrecognized net transition obligation	(57,022,000)	(63,451,000)
Unrecognized gain on plan assets	(1,010,040,000)	(550,479,000)
Additional minimum pension liability	406,454,000	200,702,000
Accrued pension liabilities	$ 1,141,702,000	$ 858,094,000
Vested benefit	$ 898,955,000	$ 712,802,000

III) The components of net periodic pension cost recognized by the Company are summarized as follows:

	2009	2008
Service cost	$ 47,460,000	$ 56,235,000
Interest cost	46,788,000	55,178,000
Expected return on plan assets	(15,430,000)	(16,417,000)
Amortizations and deferrals	23,988,000	41,178,000
Net periodic pension cost	$ 102,806,000	$ 136,174,000

b) Effective July 1, 2005, the Company has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act. Employees have the option to be covered under the New Plan. Under the New plan, the Company contributes 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 pension cost recognized under the New Plan for the years ended December 31, 2009 and 2008 was $47,028,897 and $48,378,414 respectively.

13) Common stock

As of December 31, 2009, the Company's authorized and issued capital was $16,846,646,370, consisting of 1,684,665,000 shares of common stocks, with a par value of $10 per share.

14) Capital reserve

The Securities and Exchange Law and the Company Law requires, that capital reserve shall be exclusively used to cover accumulated deficit or to increase capital and shall not be used for any other purpose. However, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficit and the amount to be capitalized does not exceed 10% of the paid-in capital.

15) Legal reserve

The R.O.C. Company Law requires, that the Company should appropriate 10% of the net income as legal reserve until the reserve is equal to the capital. Legal reserve can only be used to offset a deficit, and cannot be distributed as cash dividends. Once the legal reserve is over 50% of the capital, the excess amount can be transferred to capital after offsetting deficit, if any exist.

16) Retained earnings

a) According to the Securities Exchange Law No. 41, a company should reserve the amount equal to any valuation or contra-account in the stockholders' equity in the fiscal year from the net income and prior unappropriated earnings as special reserve. If the valuation or contra-account in stockholders' equity belongs to prior periods, the same amount from prior period earnings should be considered special reserve and cannot be distributed. The special reserve includes: i) reserve for special purposes, ii) investment income recognized under the equity method, iii) net proceeds from the recognition of financial asset transactions; only when the accumulated value decreases should the special reserve be adjusted by the same amount, subject to the provisions in this section ; and iv) other special reserves set out by legal provisions. The Company shall distribute earnings after annual interest has been deducted, distributing up to 1% as remuneration to directors, and 0.1% to 1% as employees' bonus. Such amounts shall be recognized as expense in current period annual expense.

According to the R.O.C. Company Law and the Company's articles of incorporation, investment income recognized based on the equity method, and the unused deferred income tax assets recognized for unused investment credits are deemed unrealized and should be transferred to special reserve. Such investment gain can be transferred to unappropriated earnings only when realized, that is, when investee companies declare dividends or investment credits are used, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

b) The Company's dividend policy is summarized below:
As the Company operates in a volatile business environment and is in the stable growth stage, the dividend policy includes cash dividends, stock dividends and capital increase by earnings recapitalization. At least 50% of the Company's distributable earnings shall be appropriated as dividends after deducting the legal reserves, directors' and supervisors' remuneration, employee bonus and special reserves. The Company would prefer distributing cash dividends. However, if significant investment measures are taken or financial structure needs to be improved, part of the dividends would be in the form of stock dividends but not to exceed 50% of the total

dividends. The Board of Directors' meeting held on March 27, 2008 approved the dividend policy mentioned above, and was revised on June 27, 2008.

c) The appropriation of 2008 and 2007 earnings had been resolved at the stockholders' meeting on June 26, 2009 and June 27, 2008, respectively. Details are summarized below:

	2008 earnings		2007 earnings	
	Amount (thousands of dollars)	Dividends per share (in dollars)	Amount (thousands of dollars)	Dividends per share (in dollars)
Legal reserve	$ 300,200		$ 737,379	
Special dividends	-		894,042	
Cash dividends	2,526,997	$ 1.50	5,390,927	$ 3.20
Directors' and supervisors' remuneration	-		16,201	
Employees' cash bonus	-		32,401	
Total	$ 2,827,197		$ 7,070,950	

The abovementioned 2008 and 2007 earnings appropriations are the same with that proposed by the Board of Directors. As of March 15, 2010, the appropriation of 2009 earnings had not been resolved by the Board of Directors. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

d) The Company did not estimate the amounts of employees' bonus and directors' and the supervisors' remuneration for 2009. While, if the estimated amounts are different from the amounts approved by the stockholders subsequently, the difference is recognized as gain or loss in 2010.

e) The appropriation of 2008 earnings had been resolved by the Board of Directors and approved by the stockholders as follows: employees' cash bonus of $16,869,516 and directors' and supervisors' remuneration of $8,434,758. Detailed information of such appropriation will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

f) Until December 31, 2009, unpaid stock dividend was $13,906,972 and was classified as other payables and other liabilities.

17) Treasury stock

Formosa Development Co., Ltd., one of the Company's investee companies, held 3,043,228 common shares of the Company at the book value of $8.76 per share, as of December 31, 2009 and 2008. As of December 31, 2009 and 2008, the closing market prices are $25.90 and $17.00 share, respectively.

18) Income tax

a) Income tax expense

	For the years ended December 31, 2009	2008
Tax determined by applying statutory rate to income before income tax	($ 40,284,196)	$ 820,955,436
Tax effect of permanent differences	(314,000,782)	(685,974,968)
Tax effect of investment tax credits	(75,294,953)	(84,771,297)
Under provision of prior year's income tax	(704,821)	25,386,113
Tax effect of minimum tax	-	81,981,838
Effect of amendments to the tax law on deferred income tax	168,326,423	-
Valuation allowance	(7,960,192)	-
10% additional income tax on prior year's undistributed earnings	17,480,163	119,688,325
Separate income tax	(18,401)	338,043
Income tax expense	(252,456,759)	277,603,490
Less：Net change in deferred income tax assets and liabilities	251,823,199	(126,626,176)
Prepaid and withholding taxes	(250,178)	(576,197)
Separate income tax	(71,261)	(338,043)
Accrued income tax at beginning of year	-	(1,419,942)
Under provision of prior year's income tax	704,821	(25,386,113)
Income tax payable	($ 250,178)	$ 123,257,019

b) Deferred income tax assets and liabilities

	December 31, 2009	2008
Deferred income tax assets - current	$ 187,590,495	$ 219,260,255
Deferred income tax assets - non-current	648,167,934	514,636,712
Deferred income tax liabilities - current	(1,092,057)	(13,622,939)
Deferred income tax liabilities - non-current	-	(129,470,663)
Valuation allowance	-	(7,960,192)
	$ 834,666,372	$ 582,843,173

c) Details of temporary differences and investment tax credits resulting in deferred income tax assets and liabilities are as follows:

	December 31,			
	2009		2008	
	Amount	Tax effect	Amount	Tax effect
Current				
Provision for inventory obsolescence	$ 738,296,731	$ 147,659,346	$ 802,557,008	$ 200,639,252
Investment tax credit	-	21,006,279	-	-
Allowance for bad debts in excess of tax-deductible limit	40,253,279	8,050,656	41,979,479	10,494,869
Unrealized foreign exchange loss	33,434,209	6,686,842	11,813,535	2,953,384
Others	15,476,577	3,095,315	(33,800,757)	(8,450,189)
		$ 186,498,438		$ 205,637,316
Non-current				
Investment loss	$ 1,255,345,093	$ 251,069,018	$ 500,645,055	$ 125,161,263
Investment tax credits	-	140,354,406	-	103,545,895
Provision for pension	671,851,088	134,370,218	593,994,794	148,498,699
Operating loss carry forwards	606,992,704	121,398,541	-	-
Others	4,878,757	975,751	31,840,768	7,960,192
Valuation allowance	-	-	(31,840,768)	(7,960,192)
		$ 648,167,934		$ 377,205,857

d) The Company's income tax returns until 2007 have been assessed and approved by the Tax Authority except for 2006.

e) As of December 31, 2009, the Company has unused operating loss carryforwards as follows:

Year loss was incurred	Estimated amount	Unused loss Carryforward	Expiration year
2009	$ 606,992,704	$ 121,398,541	2019

f) As of December 31, 2009, according to the "Statute for Upgrading Industries," the Company had investment tax credits as follows:

Qualifying Item	Income tax credits	Unused income tax credits	Expiration year
Research and development expenditures	$ 10,022,096	$ 10,022,096	2011
	14,405,139	14,405,139	2012
	$ 24,427,235	$ 24,427,235	

Qualifying Item	Income tax credits	Unused income tax credits	Expiration year
Machinery and equipment	$ 21,006,279	$ 21,006,279	2010
	60,322,438	60,322,438	2011
	52,932,051	52,932,051	2012
	2,158,846	2,158,846	2013
	$ 136,419,614	$ 136,419,614	

Qualifying Item	Income tax credits	Unused income tax credits	Expiration year
Employees' training	$ 513,836	$ 513,836	2012

g) Unappropriated retained earnings:

	December 31,	
	2009	2008
Earnings generated in and before 1997	$ -	$ -
Earnings generated in and after 1998	2,582,697,662	4,455,262,980
	$ 2,582,697,662	$ 4,455,262,980

h) The actual tax rate of distributed earnings in 2008 was 12.21%. As of December 31, 2009 and 2008, the tax credit account balance was $270,936,798 and $178,511,440, respectively. The estimated tax rate is 10.49% for 2009.

19) Earnings per share

	For the year ended December 31, 2009				
	Amount		Weighted-average outstanding common shares (in thousands of shares)	Earnings per share (in dollars)	
	Before tax (in thousands of dollars)	After tax (in thousands of dollars)		Before tax	After tax
Basic earnings per share:					
Net (loss) income	($ 161,137)	$ 91,320	1,681,622	($ 0.10)	$ 0.05

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

	For the year ended December 31, 2009				
	Amount		Weighted-average outstanding common shares (in thousands of shares)	Earnings per share (in dollars)	
	Before tax (in thousands of dollars)	After tax (in thousands of dollars)		Before tax	After tax
Net (loss) income attributable to common stockholders	($ 161,137)	$ 91,320	1,684,665	($ 0.10)	$ 0.05

	For the year ended December 31, 2008				
	Amount		Weighted-average outstanding common shares (in thousands shares)	Earnings per share (in dollars)	
	Before tax (in thousands of dollars)	After tax (in thousands of dollars)		Before tax	After tax
Basic earnings per share:					
Net income	$ 3,283,862	$ 3,006,258	1,681,622	$ 1.95	$ 1.79

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

	For the year ended December 31, 2008				
	Amount		Weighted-average outstanding common shares (in thousands of shares)	Earnings per share (in dollars)	
	Before tax (in thousands of dollars)	After tax (in thousands of dollars)		Before tax	After tax
Net income attributable to common stockholders	$ 3,283,862	$ 3,006,258	1,684,665	$ 1.95	$ 1.78

Effective January 1, 2008, as employees' bonuses could be distributed in the form of stock, it does not have significant effect on the financial statements for the year ended December 31, 2009. It also had no significant effect on earnings per share.

20) Personnel, depreciation and amortization expenses

Personnel, depreciation and amortization expenses are summarized as follows:

	For the year ended December 31, 2009		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 1,705,996,288	$ 688,431,641	$ 2,394,427,929
Labor and health insurances	108,068,414	49,140,940	157,209,354
Pension and retirement	114,996,903	34,837,994	149,834,897
Others	66,126,291	23,135,177	89,261,468
Depreciation (Note 1)	733,885,626	165,859,810	899,745,436
Amortization	13,522,706	3,225,312	16,748,018

	For the year ended December 31, 2008		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 1,779,422,691	$ 632,251,393	$ 2,411,674,084
Labor and health insurances	116,357,435	49,639,046	165,996,481
Pension and retirement	154,340,766	30,211,648	184,552,414
Others	67,664,634	22,822,554	90,487,188
Depreciation (Note 1)	715,486,004	186,667,948	902,153,952
Amortization	12,204,333	4,429,476	16,633,809

Note 1: Excluding depreciation on assets leased to others which is classified as other non-operating expense and losses amounting to $19,361,388 and $18,606,832 for the years ended December 31, 2009 and 2008, respectively.

5. RELATED PARTY TRANSACTIONS

1) Names and relationship of related parties

Name of related parties	Relationship with the Company
Formosa Chemicals & Fiber Corp.	Parent company (Note)
Formosa Plastics Corp.	The managing director is the chairman of the Company
Nan Ya Plastics Corp.	The managing director is the chairman of the Company
Formosa Petrochemical Corp.	The director is a second degree family member of the chairman of the Company
Great King Garment Co., Ltd.	The director is the Company's general manager
Kong You Industrial Co., Ltd.	The director is the Company's general manager

Name of related parties	Relationship with the Company
Bellmart Industrial Co., Ltd.	The chairman is the Company's general manager
Yugen Co., Ltd.	The Yugen chairman is a member of the immediate family of the Company's general manager
Yumaowu Enterprise Co., Ltd.	The chairman is the Company's president
Toa Resin Co., Ltd.	The Company is the managing director of Toa Resin Co., Ltd.
Formosa Taffeta (Hong Kong) Co., Ltd.	Investee accounted for under the equity method
Formosa Advanced Technologies Co., Ltd.	Investee accounted for under the equity method
Formosa Taffeta (Zhong Shan) Co., Ltd.	Investee accounted for under the equity method
Formosa Taffeta Vietnam Co., Ltd.	Investee accounted for under the equity method
Xiamen Xiangyu Formosa Import & Export Trading Co., Ltd.	Investee accounted for under the equity method
Formosa Development Co., Ltd.	Investee accounted for under the equity method
Kuang Yueh Co., Ltd.	Investee accounted for under the equity method
Schoeller F.T.C. (Hong Kong) Co., Ltd.	Investee accounted for under the equity method
Formosa Taffeta (Dong Nai) Co., Ltd.	Investee accounted for under the equity method
Formosa Taffeta (Changshu) Co., Ltd.	The Company is the parent company
Yu Maown Complex Co., Ltd.	The chairman is the Company's managing director
Directors, supervisors, general manager and vice general managers	
Others (amount not over the related-party account 10% for two years)	Related parties defined by R.O.C. SFAS No. 6

(Note) Formosa Chemicals & Fiber Corp. has exercised significant control over the Company since Formosa Chemicals & Fiber Corp. holds 5 of the 9 Board of Directors' seats after the stockholders' meeting on June 27, 2008. Before June 27, 2008, Formosa Chemicals & Fiber Corp. accounted for the Company under the equity method, and had no significant influence over the Company.

2) Significant transactions and balances with related parties

a) Sales

	For the years ended December 31,			
	2009		2008	
	Amount	Percentage of net sales	Amount	Percentage of net sales
Kuang Yueh Co., Ltd.	$ 298,603,869	1.12	$ 336,496,159	1.21
Yugen Co., Ltd.	284,436,927	1.07	325,897,170	1.17
Schoeller F.T.C. (Hong Kong) Co., Ltd.	121,770,755	0.46	159,668,083	0.57
Kong You Industrial Co., Ltd.	104,923,654	0.39	153,920,196	0.55
Formosa Chemicals & Fiber Corp.	83,377,534	0.31	93,206,173	0.33
Formosa Taffeta (Zhong Shan) Co., Ltd.	79,653,660	0.30	66,465,601	0.24
Formosa Taffeta (Changshu) Co., Ltd.	73,366,879	0.28	46,205,429	0.16
Bellmart Industrial Co., Ltd.	54,975,603	0.21	70,675,305	0.25
Formosa Taffeta Vietnam Co., Ltd.	46,972,914	0.18	100,108,023	0.36
Others	28,275,346	0.10	73,596,265	0.25
	$ 1,176,357,141	4.42	$ 1,426,238,404	5.09

b) Purchases and processing charges

(1) Purchases:

	For the years ended December 31,			
	2009		2008	
	Amount	Percentage of processing charges	Amount	Percentage of processing charges
Formosa Petrochemical Corp.	$ 10,203,223,112	51.17	$ 9,140,986,341	44.58
Formosa Chemicals & Fiber Corp.	2,952,245,146	14.81	3,811,781,514	18.59
Nan Ya Plastics Corp.	810,130,305	4.06	939,765,720	4.58
Formosa Plastics Corp.	292,114,150	1.47	365,193,479	1.78
Toa Resin Co., Ltd.	54,223,878	0.27	73,409,242	0.36
Formosa Taffeta (Dong Nai) Co., Ltd.	3,887,500	0.02	3,349,663	0.02
Formosa Taffeta Vietnam Co., Ltd.	2,081,799	0.01	4,538,054	0.02
Others	9,352,729	0.05	9,563,711	0.05
	$ 14,327,258,619	71.86	$ 14,348,587,724	69.98

(2) Processing charges:

	For the years ended December 31,			
	2009		2008	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
Formosa Taffeta (Dong Nai) Co., Ltd.	$ 136,595,086	27.29	$ 86,400,894	31.84
Formosa Taffeta Vietnam Co., Ltd.	98,907,538	24.02	76,059,528	28.03
	$ 235,502,624	51.31	$ 162,460,422	59.87

(3) The purchases from Formosa Petrochemical Corp. consists of gasoline. The payments are made every other month.

(4) The purchases from Formosa Chemicals & Fiber Corp. consists of raw materials. The payment term was about two months.

(5) The purchases from Nan Ya Plastics Corp. consists of raw materials. The payment date was on the 15th of the following month.

(6) The purchases from Formosa Plastics Corp. consists of raw materials. The payment date was on the 15th of the following month.

(7) The purchases from Toa Resin Co., Ltd. consists of raw materials. The payment date was on the 22nd of the following month.

(8) The Company engaged Formosa Taffeta Vietnam Co, Ltd. and Formosa Taffeta (Dong Nai) Co., Ltd. to process its raw materials, supplies and work in process. When the goods are finished, they will be delivered back to the Company. The payment was made after the goods were received and accepted.

(9) The prices and payment terms for related parties were not significantly different from those of non-related general suppliers.

3) Receivables

a) Notes receivable

	December 31,			
	2009		2008	
	Amount	Percentage of notes receivable	Amount	Percentage of notes receivable
Kong You Industrial Co., Ltd.	$ 17,652,763	9.99	$ 18,789,736	9.56
Kuang Yueh Co., Ltd.	-	-	1,041,513	0.53
Others	-	-	264,102	0.13
	$ 17,652,763	9.99	$ 20,095,351	10.22

b) Accounts receivable

	December 31,			
	2009		2008	
	Amount	Percentage of accounts and other receivables	Amount	Percentage of accounts and other receivables
Yugen Co., Ltd.	$ 97,169,634	3.87	$ 129,032,739	4.35
Formosa Taffeta (Changshu) Co., Ltd.	32,390,682	1.29	32,649,660	1.10
Kong You Industrial Co., Ltd.	23,479,629	0.94	18,438,714	0.63
Formosa Taffeta (Zhongshan) Co., Ltd.	18,413,235	0.73	98,932,159	3.33
Bellmart Industrial Co., Ltd.	12,443,194	0.50	10,334,139	0.35
Formosa Chemicals & Fiber Corp.	11,283,014	0. 45	2,685,133	0.09
Formosa Taffeta Vietnam Co., Ltd.	8,712,597	0.35	28,874,197	0.97
Schoeller F.T.C. (Hong Kong) Co., Ltd.	6,413,025	0.26	14,683,292	0.50
Formosa Taffeta (Dong Nai) Co., Ltd.	-	-	161,281	-
Formosa Taffeta (Hong Kong) Co., Ltd.	-	-	30,743,635	1.03

	December 31,			
	2009		2008	
	Amount	Percentage of accounts and other receivables	Amount	Percentage of accounts and other receivables
Others	13,406,805	0.53	15,212,700	0.51
	223,711,815	8.92	381,747,649	12.86
Less: Overdue accounts receivable reclassified as "other receivables"	(10,014,479)	(0.41)	(136,378,728)	(4.59)
	$ 213,697,336	8.51	$ 245,368,921	8.27

In accordance with EITF 93-167 of the R.O.C. Accounting Research and Development Foundation, dated July 9, 2004, the overdue accounts receivable from related parties were reclassified to "other receivables". The following sets forth the aging analysis of the overdue accounts receivable from related parties:

	December 31, 2009			
	90-120 days	121-360 days	360 days and above	Total
Formosa Taffeta (Zhong Shan) Co., Ltd.	$ -	$ -	$ 7,899,878	$ 7,899,878
Schoeller F.T.C. (Hong Kong) Co., Ltd.	356,712	-	-	356,712
Formosa Taffeta Vietnam Co., Ltd.	-	-	1,686,152	1,686,152
Others	71,737	-	-	71,737
	$ 428,449	$ -	$ 9,586,030	$ 10,014,479

	December 31, 2008			
	90-120 days	121-360 days	360 days and above	Total
Yugen Co., Ltd.	$ -	$ 6,466,865	$ -	$ 6,466,865
Formosa Taffeta (Zhong Shan) Co., Ltd.	-	40,624,020	44,964,498	85,588,518
Formosa Taffeta (Hong Kong) Co., Ltd.	-	-	30,743,635	30,743,635
Formosa Taffeta Vietnam Co., Ltd.	-	-	1,686,152	1,686,152
Kong You Industrial Co., Ltd.	-	1,439,960	-	1,439,960
Formosa Taffeta (Dong Nai) Co., Ltd	-	-	161,281	161,281
Formosa Taffeta (Changshu) Co., Ltd.	-	7,607,184	-	7,607,184
Others	2,685,133	-	-	2,685,133
	$ 2,685,133	$56,138,029	$77,555,566	$ 136,378,728

4) Payments

a) Notes payable

	December 31,			
	2009		2008	
	Amount	Percentage of notes payable	Amount	Percentage of notes payable
Formosa Chemicals & Fiber Corp.	$ 298,309,858	87.39	$ 193,214,226	94.35
Nan Ya Plastics Corp.	-	-	118,248	0.06
	$ 298,309,858	87.39	$ 193,332,474	94.41

b) Accounts payable

	December 31,			
	2009		2008	
	Amount	Percentage of accounts payable	Amount	Percentage of accounts payable
Formosa Petrochemical Corp.	$ 555,067,648	31.96	$ 241,050,990	20.17
Formosa Chemicals & Fiber Corp.	485,051,828	27.93	318,333,382	26.63
Nan Ya Plastics Corp.	71,326,215	4.11	40,705,154	3.41
Formosa Taffeta (Dong Nai) Co., Ltd.	34,834,725	2.01	19,419,265	1.62
Formosa Plastics Corp.	29,645,053	1.71	29,563,271	2.47
Formosa Taffeta Vietnam Co., Ltd.	17,022,430	0.98	22,323,539	1.87
Others	5,076,750	0.29	9,017,433	0.75
	$ 1,198,024,649	68.99	$ 680,413,034	56.92

5) Acquisitions and disposals of property, plant and equipment

The Company purchased raw materials for the related parties and sold fixed assets to related parties. Gain or loss is recorded as non-operating income (expense). Details are as follows:

	December 31, 2009			
	Item	Book value	Sales price	Gain (loss)
Formosa Taffeta (Zhong Shan) Co., Ltd.	Purchase of raw material and supplies	$ 25,975,521	$ 26,592,606	$ 617,085
Formosa Taffeta Vietnam Co., Ltd.	Purchase of raw materials and supplies	9,816,171	10,168,018	351,847
Formosa Taffeta (Dong Nai) Co., Ltd.	Purchase of raw materials and supplies	1,413,446	1,788,856	375,410
Formosa Taffeta Vietnam Co., Ltd.	Disposal of property, plant and equipment	-	138,906	138,906
		$ 37,205,138	$ 38,688,386	$ 1,483,248

	December 31, 2008			
	Item	Book value	Sales price	Gain (loss)
Formosa Taffeta (Zhong Shan) Co., Ltd.	Purchase of raw materials and supplies	$ 46,408,959	$ 47,447,881	$ 1,038,922
Formosa Taffeta Vietnam Co., Ltd.	Purchase of raw materials and supplies	4,892,624	5,075,036	182,412
Formosa Taffeta (Dong Nai) Co., Ltd.	Purchase of raw materials and supplies	48,543,831	50,645,789	2,101,958
Formosa Taffeta Vietnam Co., Ltd.	Disposal of property, plant and equipment	22,812	32,027	9,215
Formosa Taffeta (Dong Nai) Co., Ltd.	Disposal of property, plant and equipment	2,645,652	4,394,529	1,748,877
		$102,513,878	$107,595,262	$ 5,081,384

As of December 31, 2009 and 2008, the receivables including prices and service charges of purchases of raw materials or property, plant and equipment, and supplies for the related parties were as follows (shown as other receivables):

	December 31,			
	2009		2008	
	Amount	Percentage of other receivables	Amount	Percentage of other receivables
Formosa Taffeta (Zhong Shan) Co., Ltd.	$ 75,386,506	43.99	$ 96,519,591	31.37
Formosa Taffeta (Dong Nai) Co., Ltd.	12,742,610	3.57	22,307,751	7.25
Formosa Taffeta Vietnam Co., Ltd.	4,942,500	2.88	2,330,184	0.76
	$ 93,071,616	50.44	$ 121,157,526	39.38

6) Commission expenses

The Company paid commissions to Formosa Taffeta (Hong Kong) Co., Ltd. and Yugen Co., Ltd. equivalent to 2.5% and 3%,respectively , of sales rendered as follows (shown as Sales and marketing expenses):

	For the years ended December 31,	
	2009	2008
Formosa Taffeta (Hong Kong) Co., Ltd.	$ 7,259,695	$ 8,041,455
Yugen Co., Ltd.	-	2,984,193
	$ 7,259,695	$ 11,025,648

The balances of commission payable (shown as accrued expenses) consisted of the following:

	December 31,			
	2009		2008	
	Amount	Percentage of accrued expenses	Amount	Percentage of accrued expenses
Formosa Taffeta (Hong Kong) Co., Ltd.	$ 931,444	0.12	$ 1,499,259	0.20
Yugen Co., Ltd.	4,156,675	0.52	4,156,675	0.56
	$ 5,088,119	0.64	$ 5,655,934	0.76

7) Endorsements and guarantees

	December 31,	
	2009	2008
Formosa Taffeta (Zhong Shan) Co., Ltd.	$ 2,207,310,000	$ 3,611,387,000
Formosa Taffeta Vietnam Co., Ltd.	2,709,553,000	2,795,635,000
Formosa Development Co., Ltd.	-	35,000,000
Formosa Taffeta (Changshu) Co., Ltd.	3,227,466,000	3,086,207,000
Formosa Taffeta (Dong Nai) Co., Ltd.	2,655,170,000	2,442,209,000
	$ 10,799,499,000	$ 11,970,438,000

8) Assets leased to others

The Company rents out buildings on No. 329, Henan St., Douliu City, Yunlin County, and land on No. 497-1 Neilin Section., to Formosa Advanced Technologies Co., Ltd. The lessee pays the Company at the beginning of every month. For the years ended December 31, 2009 and 2008, rental income amounted to $28,574,952 and $19,769,544, respectively. The Company also prepaid the garbage cleaning fees and water and electricity fees. For the years ended December 31, 2009 and 2008, the related receivable (shown as other receivables) amounted to $4,721,324 and $3,718,159, respectively. The details are described in Note 4 a).

9) Remuneration information of key management (including directors, supervisors, general manager and vice general managers)

	For the years ended December 31,	
	2009	2008
Salaries and bonuses	$ 28,711,848	$ 30,584,101
Services fees	497,968	480,000
Distribution of earnings	8,434,758	-
	$ 37,644,574	$ 31,064,101

(1) Salaries include wages allowance and retirement pension, etc.

(2) Bonus includes all kinds of incentives.

(3) Service fees include traveling allowance and subsidies, etc.
(4) Distribution of earnings include directors' and supervisors' remuneration and employees' bonus.
(5) For the related information, please refer to the annual report.

10) OTHERS

For the years ended December 31, 2009 and 2008, the Company collected accounts receivable on behalf of the related parties. The payments collected should be transferred to the account of:

	December 31,	
	2009	2008
Formosa Taffeta (Zhong Shan) Co., Ltd.	$ 5,527,976	$ 7,573,323

6. PLEDGED OR RESTRICTED ASSETS

	Book Value		
	December 31,		
Item	2009	2008	Purpose
Property, plant and equipment	$ 819,662,914	$ -	Security for long-term debts
Other financial assets - non-current	18,289,944	20,060,724	Security for lines of credit
Guarantee deposits and margins paid	23,148,463	-	Security for lines of credit
	$861,101,321	$ 20,060,724	

7. COMMITMENTS AND CONTINGENT LIABILITIES

The Company's commitments and contingent liabilities are as follows:

1) As of December 31, 2009, the endorsements for other companies or affiliates amounted to $10,799,499,000. Please see Note 5.

2) As of December 31, 2009, the outstanding letters of credit for the importation of raw materials and equipment amounted to USD 1,028,452.43, JPY 65,730,600, CHF 260,742 and EUR 680,000.

8. MAJOR CATASTROPHE

None.

9. SUBSEQUENT EVENT

None.

10. OTHERS

1) Certain accounts in the 2008 financial statements were restated in accordance with Tax Regulation No. 0980011807 of the Financial Supervisory Commission, Executive Yuan, ROC dated March 26, 2009. The related accounts and changes in amounts are as follows:

Item	Amount before restatement	Amount after restatement
Undistributed earnings at the beginning of year 2007	$ 8,010,570,217	$ 8,006,310,392
Sales	28,120,018,035	28,234,790,341
Cost of goods sold	25,348,106,756	25,457,199,295
Income before income tax	3,278,181,975	3,283,861,742
Income tax expense	276,183,548	277,603,490
Net income	3,001,998,427	3,006,258,252

2) Certain accounts in the 2008 financial statements were reclassified to conform with the 2009 financial statement presentation.

3) The Company purchased short-term notes at face value of US$10,000,000 from French Eastern Bank (H.K. Branch) on January 10, 1997 and January 30, 1997, issued by One Holding Co. (Thailand). The amount of the short-term investment totaled $270,602,801 (USD9, 838,339.96), excluding interests. The French Eastern Bank would be obliged to pay the nominal amount at maturity on April 10, 1997 and April 11, 1997, respectively.

   Due to the financial crisis of One Holding Co. (Thailand), the French Eastern Bank was not able to pay out on time. The Company appointed H.K. lawyers to file a lawsuit against French Eastern Bank. As per discussion with the lawyers, the collection situation would be optimistic. However, the Company recognized fifty percent of the investment loss in 1997 ($135,301,401, shown as non-operating loss) and transferred total amount of respective notes to miscellaneous assets for conservatism purpose. Furthermore, the Company transferred the remaining unlisted amount (shown as Other assets – Other receivables) to loss (Other expenses) totaling to $165,795,973 for the year ended December 31, 2008. Because the losing party must pay all of counsel fees and court fees, the Company provided deposits of HKD4, 432,851.28 ($18,289,944) (shown as Other financial assets - non-current) and L/C HKD4,321,170.50 as a guarantee. The Company increased the estimated legal fees and court fees in the amount of $26,011,311(shown as Other expenses) and increased deposits provided amounting to HKD 5,531,459.68 ($23,148,463) (shown as Other financial assets - non-current) as a guarantee to the court in 2009. As of January 6, 2009, the Hong Kong court had rendered a decision not in favor of the Company.

4) The fair values of the financial instruments

	December 31, 2009		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$ 3,926,476,436	$ -	$ 3,926,476,436
Financial assets at fair value through profit or loss-current	155,020,565	155,020,565	-
Available-for-sale financial assets-current	848,598,556	848,598,556	-
Available-for-sale financial assets-non-current	34,096,925,311	34,096,925,311	-
Financial assets carried at cost-current	157,232,373	-	-
Liabilities			
Financial liabilities with fair values equal to book values	2,986,479,546	-	2,986,479,546
Long-term liabilities (including current portion)	8,855,140,509	-	8,855,140,509
Derivative financial instruments			
Assets			
Forward exchange contract	5,439,718	-	5,439,718

	December 31, 2008		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$ 5,103,605,738	$ -	$ 5,103,605,738
Available-for-sale financial assets-current	458,777,934	458,777,934	-
Available-for-sale financial assets-non-current	25,810,111,524	25,810,111,524	-
Financial assets carried at cost-current	162,105,778		-
Liabilities			
Financial liabilities with fair values equal to book values	3,069,431,051	-	3,069,431,051
Derivative financial instruments	9,468,560,439		9,468,560,439
Assets			
Interest rate swap (Financial assets at fair value)	33,800,757	-	33,800,757

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

(1) For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to Cash and cash equivalents, Notes receivable, Accounts receivable (including related parties), Other receivables, Short–term loans, Notes payable, Accounts payable (including related parties), Accrued expenses, and Other payables.

(2) Financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets are regarded as quoted in an active market.

(3) Financial assets carried at cost are equity stocks, with no active market and no fair value.

(4) The fair values of other financial assets - non-current, refundable deposits (accounted as other assets- other) and guarantee deposits received (accounted as other liabilities – other) were based on the present value of expected cash flow amount. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank. The Company uses the carrying value if the difference of the present value amount is not significant.

(5) The fair value of long-term loans, including the current portion, is based on the present value of expected cash flow amount. Because the discount rate is similar to market value, the Company regards book value as discounted cash flow amount.

(6) The fair values of derivative financial instruments which include unrealized gains or losses on unsettled contracts were determined based upon the amounts to be received or paid assuming that the contracts were settled as of the reporting date.

5) Information on significant gain/loss on financial instruments and equity items

For available-for-sale financial assets, during the years ended December 31, 2009 and 2008, the amount of gain (loss) recognized directly in equity were $10,207,265,025 and ($14,620,943,552), respectively.

6) Procedure of financial risk control and hedge

A) The Company's management considers economic environment, competition and market value risk to achieve the best position of investment risk, maximize the investment of excess liquidity and control the overall market risk. The Company adopts the following strategies to control financial risk:

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

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

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

d) Credit risk

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

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

7) Information of material financial risk

a) Market risk

(1) The Company is exposed to equity financial assets and financial assets carried at cost price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Company sets limits to control the transaction volume and stop-loss amount of derivatives to reduce its market risk.

(2) The Company's interest rate risk arises from floating rate from borrowings, due to changes in market interest rate and adjustment between fixed and floating borrowings. The Company could exercise its market risk adequately.

(3) The Company's major import and export transactions are conducted in USD. The change of fair value will be caused by foreign exchange rate, however, the amounts and periods of the Company's accounts receivable and accounts payable are equivalent, so the market risk could be offset. If the gap is raised, the Company would adopt the forward contract to hedge the risk, so the Company estimates there would be no material risk.

b) Credit risk

(1) The Company invests in equity stocks in a stock exchange market or over-the counter market or make agreement with credit-worthy counterparty. As such, the Company estimates there would be no material risk.

Before investing in financial assets carried at cost, the Company evaluates the counterparty. As such, the Company estimates it would not breach a contract, so the Company has lower credit risk.

(2) The Company has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an

appropriate credit history. The maximum loss to the Company is the book value of accounts receivable.

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

c) Liquidity risk

(1) The Company is exposed to a higher liquidity risk since investment securities have no active market. However, the Company has no intention to hold these financial assets for trading and does not expect to sell those financial assets frequently. Therefore, the exposure to liquidity risk would be effectively reduced.

(2) The Company's funds arise from capital and operations, and the Company has good credit history with banks and the money market. The Company expects no significant liquidity risk since it has sufficient working capital to meet commitments associated with receivable and payment contracts.

d) Cash flow risk from the influence of interest rates

(1) The Company's receivable and payment are current, and the Company evaluates there are no significant cash flow risk from changes in interest rates.

(2) The Company's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. The amount of cash flow would be decreased by $88,551,405 which was based on the assumption that interest rate is raised by 1% on balance sheet date.

(3) The Company invests in equity financial assets and financial assets carried at cost are not interest financial assets, so the Company estimates there would be no cash flow risk from changes in interest rates.

11. SEGMENT INFORMATION

1) Financial information by industry

	For the year ended December 31, 2009						
	Div. I	Tire code	Plastic Factory	Cotton textile factory	Special textile factory	Gasoline	Total
Revenues from outside clients	$ 7,925,911	$ 6,819,390	$ 432,256	$ 476,668	$ 457,461	$ 10,433,016	$ 26,544,702
Operating income	$ 1,105,752	$ 576,706	81,872	$ 50,932	$ 87,100	$ 196,815	2,099,177
General corporate expenses							(442,282)
Investment income, net							(1,727,439)
Interest expense, net							(91,201)
Non-operating expenses, net							608
Income before income taxes							($ 161,137)
Identifiable assets	$ 6,142,489	$ 4,626,901	$ 164,165	$ 392,222	$ 335,336	$ 1,648,060	$ 13,309,173
Long-term investments							$ 44,519,712
Other assets							6,657,063
Total assets							$ 64,485,948
Depreciation							
Each segment	$ 388,750	$ 251,653	$ 8,635	$ 25,909	$ 9,122	$ 119,899	$ 803,968
Company total							$ 131,887
Capital expenditures							
Each segment	$ 106,204	$ 96,763	$ 641	$ 15,789	$ 8,497	$ 72,568	$ 300,462
Company total							$ 66,420

	For the year ended December 31, 2008						
	Div. I	Tire code	Plastic Factory	Cotton textile factory	Special textile factory	Gasoline	Total
Revenues from outside clients	$ 10,123,980	$ 7,490,125	$ 478,806	$ 420,354	$ 584,624	$ 9,136,901	$ 28,234,790
Operating income	$ 678,523	$ 572,632	$ 44,425	$ 13,995	$ 123,647	($ 37,130)	1,351,092
General corporate expenses							(475,036)
Investment income, net							2,650,151
Interest expense, net							(209,892)
Non-operating expenses, net							(32,453)
Income before income taxes							$ 3,283,862
Identifiable assets	$ 6,849,761	$ 4,973,060	$ 209,704	$ 404,193	$ 349,745	$ 1,633,354	$ 14,419,817
Long-term investments							$ 9,931,873
Other assets							47,310,947
Total assets							$ 57,242,820
Depreciation							
Each segment	$ 370,220	$ 216,088	$ 10,380	$ 23,809	$ 8,321	$ 116,396	$ 745,214
Company total							$ 175,547
Capital expenditures							
Each segment	$ 615,509	$ 588,608	$ 16,738	$ 41,533	$ 27,322	$ 67,410	$ 1,357,120
Company total							$ 73,160

2) Financial information by geographic area

The Company has no overseas branch office or division as of December 31, 2009 and 2008.

3) Export sales by geographic area (in thousands of New Taiwan dollars):

Geographic area	2009	2008
Asia	$ 6,626,555	$ 7,155,856
Hong Kong	3,608,316	3,962,322
Japan	415,180	591,732
Others	493,102	633,791
Total	$ 11,143,153	$ 12,343,701

4) Major customers

As of December 31, 2009 and 2008, sales to any individual customer did not exceed 10% of the Company's net sales.