Pou Chen Corporation

Financial Statements for the Years Ended December 31, 2014 and 2013 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Pou Chen Corporation

We have audited the accompanying balance sheets of Pou Chen Corporation (the "Company") as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method in the financial statements based on financial statements audited by other auditors. Our opinion, insofar as it relates to Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2014 and 2013, the carrying value of the investments was 8.44% ($8,471,915 thousand) and 4.84% ($4,357,308 thousand) of the total assets, respectively. For the years ended December 31, 2014 and 2013, the share of profit of the associate was 37.70% ($3,576,296 thousand) and 25.05% ($2,925,285 thousand) of the income before income tax, respectively.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and their financial performance and their cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Deloitte & Touche

March 24, 2015

<u>*Notice to Readers*</u>

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

POU CHEN CORPORATION

BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014		2013	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,650,263	2	$ 1,091,386	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,377	-	13,523	-
Available-for-sale financial assets - current (Notes 4 and 8)	4,362,146	4	4,473,233	5
Debt investments with no active market - current (Notes 4 and 9)	1,344,855	1	902,341	1
Notes receivable (Notes 4 and 10)	16,365	-	14,438	-
Notes receivable from related parties (Notes 4, 10 and 30)	53	-	65	-
Accounts receivable (Notes 4 and 10)	43,221	-	62,027	-
Accounts receivable from related parties (Notes 4, 10 and 30)	1,723,353	2	1,441,071	2
Other receivables (Notes 4 and 10)	204,280	-	226,597	-
Inventories (Notes 4 and 11)	107,506	-	119,631	-
Other current assets (Notes 4 and 12)	62,542	-	29,959	-
Total current assets	9,515,961	9	8,374,271	9
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 13)	61,000	-	60,000	-
Investments accounted for using equity method (Notes 4 and 14)	84,378,013	84	75,194,349	84
Property, plant and equipment (Notes 4 and 15)	4,103,169	4	4,145,123	5
Investment properties (Notes 4 and 16)	2,082,475	2	2,152,083	2
Deferred tax assets (Notes 4 and 24)	130,149	1	124,075	-
Other non-current assets (Notes 4 and 12)	61,205	-	41,748	-
Total non-current assets	90,816,011	91	81,717,378	91
TOTAL	$ 100,331,972	100	$ 90,091,649	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 6,470,000	6	$ 6,320,000	7
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	38,039	-	17,632	-
Notes payable (Notes 4 and 18)	36,540	-	11,799	-
Notes payable to related parties (Notes 4, 18 and 30)	36,515	-	38,804	-
Accounts payable (Notes 4 and 18)	1,474,657	2	1,112,757	1
Accounts payable to related parties (Notes 4, 18 and 30)	112,508	-	102,675	-
Other payables (Note 19)	1,242,161	1	900,489	1
Current tax liabilities (Notes 4 and 24)	712,559	1	1,228,279	2
Current portion of long-term borrowings (Note 17)	3,500,000	4	-	-
Other current liabilities	56,558	-	31,867	-
Total current liabilities	13,679,537	14	9,764,302	11
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	13,480,801	13	16,970,484	19
Deferred tax liabilities (Notes 4 and 24)	724,630	1	593,231	-
Accrued pension liabilities (Notes 4 and 20)	1,714,985	2	1,534,353	2
Other non-current liabilities	17,800	-	18,397	-
Total non-current liabilities	15,938,216	16	19,116,465	21
Total liabilities	29,617,753	30	28,880,767	32
EQUITY (Notes 4 and 21)				
Share capital				
Common share	29,441,372	29	29,441,372	32
Capital surplus	4,627,549	5	4,366,099	5
Retained earnings				
Legal reserve	9,398,498	9	8,336,553	9
Special reserve	9,180,047	9	4,435,090	5
Unappropriated earnings	23,675,306	24	24,000,543	27
Total retained earnings	42,253,851	42	36,772,186	41
Other equity	(5,608,553)	(6)	(9,180,047)	(10)
Treasury shares	-	-	(188,728)	-
Total equity	70,714,219	70	61,210,882	68
TOTAL	$ 100,331,972	100	$ 90,091,649	100

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 24, 2015)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 22 and 30)	$ 12,661,506	100	$ 12,051,187	100
OPERATING COSTS (Notes 23 and 30)	9,187,671	72	8,806,353	73
GROSS PROFIT	3,473,835	28	3,244,834	27
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(1,986)	-	(6,295)	-
REALIZED GROSS PROFIT	3,471,849	28	3,238,539	27
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	95,093	1	80,906	1
General and administrative expenses	2,121,439	17	1,579,594	13
Research and development expenses	1,054,909	8	973,119	8
Total operating expenses	3,271,441	26	2,633,619	22
PROFIT FROM OPERATIONS	200,408	2	604,920	5
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 30)	548,400	4	448,754	4
Other gains and losses (Notes 23 and 27)	160,908	1	267,901	2
Finance costs (Note 23)	(356,442)	(3)	(374,833)	(3)
Share of the profit of subsidiaries and associates	8,932,107	71	10,732,899	89
Total non-operating income and expenses	9,284,973	73	11,074,721	92
PROFIT BEFORE INCOME TAX	9,485,381	75	11,679,641	97
INCOME TAX EXPENSE (Notes 4 and 24)	(869,875)	(7)	(1,060,192)	(9)
NET INCOME	8,615,506	68	10,619,449	88
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized (loss) gain on available-for-sale financial assets	(111,077)	(1)	469,074	4
Cash flow hedges	-	-	5,430	-
Actuarial loss arising from defined benefit plans (Note 20)	(179,710)	(1)	(239,109)	(2)

(Continued)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
Share of the other comprehensive income (loss) of subsidiaries and associates	$ 3,672,577	29	$ (7,504,637)	(62)
Other comprehensive income (loss) for the year, net of income tax	3,381,790	27	(7,269,242)	(60)
TOTAL COMPREHENSIVE INCOME	$ 11,997,296	95	$ 3,350,207	28
EARNINGS PER SHARE (Note 25)				
Basic	$ 2.93		$ 3.62	
Diluted	$ 2.85		$ 3.53	

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 24, 2015) (Concluded)

POU CHEN CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2013	$ 29,431,849	$ 4,298,105	$ 7,320,919	$ 3,128,375	$ 20,234,617	$ (1,843,619)	$ (176,725)	$ (5,430)	$ (188,728)	$ 62,199,363
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	134,641	(134,641)	-	-	-	-	-
Appropriation of 2012 earnings (Note 21)										
Legal reserve	-	-	1,015,634	-	(1,015,634)	-	-	-	-	-
Special reserve	-	-	-	1,172,074	(1,172,074)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,416,205)	-	-	-	-	(4,416,205)
	-	-	1,015,634	1,172,074	(6,603,913)	-	-	-	-	(4,416,205)
Net income for the year ended December 31, 2013	-	-	-	-	10,619,449	-	-	-	-	10,619,449
Other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	(114,969)	1,864,395	(9,024,098)	5,430	-	(7,269,242)
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	10,504,480	1,864,395	(9,024,098)	5,430	-	3,350,207
Execution of employee share options (Notes 21 and 26)	9,523	9,713	-	-	-	-	-	-	-	19,236
Adjustment in capital surplus from cash dividends received by subsidiaries	-	14,899	-	-	-	-	-	-	-	14,899
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 21)	-	53,875	-	-	-	-	-	-	-	53,875
Share of changes in equities of subsidiaries (Notes 4 and 21)	-	(10,493)	-	-	-	-	-	-	-	(10,493)
Change in equity for the year ended December 31, 2013	9,523	67,994	1,015,634	1,306,715	3,765,926	1,864,395	(9,024,098)	5,430	-	(988,481)
BALANCE AT DECEMBER 31, 2013	29,441,372	4,366,099	8,336,553	4,435,090	24,000,543	20,776	(9,200,823)	-	(188,728)	61,210,882
Appropriation of 2013 earnings (Note 21)										
Legal reserve	-	-	1,061,945	-	(1,061,945)	-	-	-	-	-
Special reserve	-	-	-	4,744,957	(4,744,957)	-	-	-	-	-
Cash dividends	-	-	-	-	(2,944,137)	-	-	-	-	(2,944,137)
	-	-	1,061,945	4,744,957	(8,751,039)	-	-	-	-	(2,944,137)
Net income for the year ended December 31, 2014	-	-	-	-	8,615,506	-	-	-	-	8,615,506
Other comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(189,704)	3,324,973	246,521	-	-	3,381,790
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	8,425,802	3,324,973	246,521	-	-	11,997,296
Treasury shares resold by subsidiaries (Note 21)	-	218,295	-	-	-	-	-	-	188,728	407,023
Share of changes in net assets of associates (Notes 4 and 21)	-	4,685	-	-	-	-	-	-	-	4,685
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 21)	-	38,470	-	-	-	-	-	-	-	38,470
Change in equity for the year ended December 31, 2014	-	261,450	1,061,945	4,744,957	(325,237)	3,324,973	246,521	-	188,728	9,503,337
BALANCE AT DECEMBER 31, 2014	$ 29,441,372	$ 4,627,549	$ 9,398,498	$ 9,180,047	$ 23,675,306	$ 3,345,749	$ (8,954,302)	$ -	$ -	$ 70,714,219

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 24, 2015)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 9,485,381	$ 11,679,641
Adjustments for:		
Depreciation expenses	230,591	231,998
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	30,991	(27,269)
Finance costs	356,442	374,833
Interest income	(62,718)	(21,666)
Dividend income	(199,970)	(181,298)
Share of the profit of subsidiaries and associates	(8,932,107)	(10,732,899)
Net gain on disposal of property, plant and equipment	(5,745)	(19,903)
Net loss on disposal of available-for-sale financial assets	4	-
Net gain on disposal of subsidiaries	-	(178,531)
Unrealized gain on the transactions with subsidiaries	1,986	6,295
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	1,562	2,569
(Increase) decrease in notes receivable	(1,927)	6,222
Decrease in notes receivable from related parties	12	237
Decrease in accounts receivable	18,806	29,509
Increase in accounts receivable from related parties	(282,282)	(1,925)
Decrease (increase) in other receivables	23,595	(55,656)
Decrease in inventories	12,125	30,816
(Increase) decrease in other current assets	(32,583)	4,083
Increase in other operating assets	(17,718)	(12,434)
Increase (decrease) in notes payable	24,741	(7,540)
(Decrease) increase in notes payable to related parties	(2,289)	622
Increase (decrease) in accounts payable	361,900	(26,942)
Increase in accounts payable to related parties	9,833	11,765
Increase (decrease) in other payables	313,676	(40,951)
Increase (decrease) in other current liabilities	24,691	(2,123)
Increase in accrued pension liabilities	922	8,579
Cash generated from operations	1,359,919	1,078,032
Interest paid	(344,070)	(363,882)
Income tax paid	(1,260,271)	(597,464)
Net cash (used in) generated from operating activities	(244,422)	116,686
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(281,152)
Proceeds on sale of available-for-sale financial assets	6	-
Acquisition of debt investments with no active market	(3,275,428)	(913,225)
Proceeds on sale of debt investments with no active market	2,832,914	10,884
Acquisition of financial assets measured at cost	(1,000)	-
Acquisition of subsidiaries and associates	(323)	(2,000,000)
Net cash inflow on disposal of subsidiaries	-	564,965

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POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014	2013
Proceeds from capital return of subsidiaries and associates	$ 226,116	$ 618,030
Acquisition of property, plant and equipment	(95,312)	(135,249)
Proceeds from disposal of property, plant and equipment	36,104	10,081
Increase in refundable deposits	-	(1,272)
Decrease in refundable deposits	5,027	-
Acquisition of investment properties	-	(76)
Increase in prepayments for equipment	(34,901)	(24,395)
Interest received	61,440	18,321
Dividend received	3,843,390	4,434,548
Cash dividend from reduction of capital surplus from associates	-	69,509
Net cash generated from investing activities	3,598,033	2,370,969
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	150,000	6,232,835
Repayments of long-term borrowings	-	(5,525,000)
Cash dividend	(2,944,137)	(4,416,205)
Increase in guarantee deposits	-	14,945
Decrease in guarantee deposits	(597)	-
Execution of employee share options	-	19,236
Net cash used in financing activities	(2,794,734)	(3,674,189)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	558,877	(1,186,534)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,091,386	2,277,920
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,650,263	$ 1,091,386

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated March 24, 2015) (Concluded)

POU CHEN CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Pou Chen Corporation (the "Company") is located in Changhwa County, Taiwan, and currently has one factory and nine trade departments. The Company's business activities include manufacturing and sales of various kinds of shoes, and import and export of related products and materials. The Company also invests significantly in shoes and electronics industries to diversify its business operation. The Company invested in Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") and other footwear - related companies through Wealthplus Holdings Limited. Yue Yuen and Pou Sheng International (Holdings) Limited ("Pou Sheng"), a subsidiary of Yue Yuen, are listed on Hong Kong Exchange and Clearing Limited.

In January 1990, the Company started to trade its stocks on the Taiwan Stock Exchange.

The financial statements are presented in New Taiwan dollars, the functional currency of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 24, 2015.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission ("FSC") not yet effective

   The Company has not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Financial statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers has not had any material impact on the Company's accounting policies:

1) Annual Improvements to IFRSs: 2009-2011 Cycle

   Several standards including IAS 16 "Property, Plant and Equipment" and IAS 32 "Financial Instruments: Presentation" were amended in this annual improvement.

   The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

   The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 "Income Taxes".

2) Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"

   The amendment to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

3) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries and associates. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

4) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

5) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 require items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Company will retrospectively apply the above amendment starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method. However, the application of the above amendment will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

6) IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

7) Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”

The amendment to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendment clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

b. New IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the financial statements were approved, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 " Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs has not had any material impact on the Company's accounting policies, except for the following:

1) Annual Improvements to IFRSs: 2010-2012 Cycle

   IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

   IAS 24 was amended to clarify that a management entity providing key management personnel services to the Company is a related party of the Company. Consequently, the Company is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

2) Annual Improvements to IFRSs: 2011-2013 Cycle

   The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

3) Annual Improvements to IFRSs: 2012-2014 Cycle

   The amendment to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

4) IFRS 9 "Financial Instruments"

   <u>Recognition and measurement of financial assets</u>

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below:

   a) For the Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

      i. For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

      ii. For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instrument is derecognized or reclassified the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

b) Except for above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

<u>The impairment of financial assets</u>

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, contract assets arising from IFRS 15 "Revenue from Contracts with Customers" and certain written loan commitments. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

5) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated.

6) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue".

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 "Property, Plant and Equipment" requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

8) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

As of the date the financial statements were approved, the Company is continuingly assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net income for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its financial statements, there were no differences in accounting treatment between parent company only basis and basis were made to investments accounted for using equity method, share of profit or loss, share of other comprehensive income, and related equity items.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the parent company only financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign subsidiaries (in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign subsidiary and the Company loss of control over the subsidiary, all of the exchange differences accumulated in equity are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments accounted for using equity method

Investments in subsidiaries and associates are accounted for by the equity method.

1) Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company’s share of the change in other equity of the subsidiary.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company’s loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company’s share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company’s net investment in the subsidiary), the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from upstream and downstream transactions with a subsidiary are eliminated in full.

2) Investments in an associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, the investment in associates are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associates. The Company also recognizes the changes in the Company's share of equity of associates.

When the Company subscribes for additional new shares of an associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that the associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associates equals or exceeds its interest in that associates (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

At the date on which the Company ceases to have significant influence over the associates, any retained investment is measured at fair value. The difference between the previous carrying amount of the associates attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associates on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

i. Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

<u>Financial assets</u>

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as “financial assets measured at cost”. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

c) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalent, debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as trade receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Equity instruments

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

1) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risks and exchange rate risks, including interest rate swap contracts and exchange rate options contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

k. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale based on the seller's reliable estimate future returns and based on past experience and other relevant factors.

1) Sale of goods

Sales of goods are recognized when goods are delivered and legal ownership has passed.

2) Rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

l. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

m. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income.

The retirement benefit obligation recognized in the balance sheets represents the present value of the defined benefit obligation as reduced by the fair value of plan assets.

n. Taxation

Income tax expense represents the sum of the current tax liabilities and deferred tax liabilities.

1) Current tax

According to the Income Tax Law in the ROC, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Income taxes

As of December 31, 2014 and 2013, deferred tax liabilities recognized on taxable temporary differences associated with investments in subsidiaries were $618,758 thousand and $506,684 thousand, respectively. A reversal of deferred tax liabilities mainly depends on whether sufficient future profits in subsidiaries due to the unpredictability of future profit. In cases where the actual future profits of subsidiaries generated are less than expected, a material reversal of deferred tax liabilities may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Fair value of financial instruments

Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. The estimation of fair value of unlisted equity instruments was based on the analysis in relation to the financial position and the operation results of investees. The Company's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

d. Useful lives of property, plant and impairment

The Company reviews the estimated useful lives of property, plant and equipment at each balance sheet date. The impairment of equipment is assessed based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

e. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

f. Impairment of investment in associate

The Company immediately recognizes impairment loss on its net investment in associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

g. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31 2014	December 31 2013
Cash on hand	$ 2,173	$ 2,408
Checking accounts and demand deposits	1,263,288	332,989
Cash equivalent		
Time deposits with original maturities less than three months	384,802	755,989
	$ 1,650,263	$ 1,091,386

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31 2014	December 31 2013
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Exchange rate swap contracts (a)	$ 1,377	$ 13,523
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Interest rate swap contracts (b)	$ 38,039	$ 17,632

a. At the end of the reporting period, outstanding exchange rate swap contracts not under hedge accounting were as follows:

December 31, 2014

Bank	Notional Amount	Maturity Date	Rate	Fair Value
Mizuho Bank	RMB 30,000,000	2015.01.09	5.044	$ 1,377

December 31, 2013

Bank	Notional Amount	Maturity Date	Rate	Fair Value
ANZ Bank	US$ 20,000,000	2014.02.25	29.226	$ 10,050
DBS Bank	5,000,000	2014.01.06	29.510	1,410
DBS Bank	7,000,000	2014.01.28	29.481	2,063
				$ 13,523

The Company entered into exchange rate swap contracts for the years ended December 31, 2014 and 2013 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

b. At the end of the reporting period, outstanding interest rate swap contracts not under hedge accounting were as follows:

December 31, 2014

Bank	Item	Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
Chinatrust Commercial Bank	Interest rate swap contracts	$ 600,000	2018.06.01	1.310	0.891	$ (4,221)
Citibank	"	500,000	2018.06.01	1.340	0.891	(3,926)
Taipei Fubon Bank	"	875,000	2016.09.29	1.066	0.888	(1,344)
Taipei Fubon Bank	"	700,000	2016.09.29	1.180	0.888	(1,961)
Taipei Fubon Bank	"	500,000	2016.09.29	0.967	0.888	(219)
Taipei Fubon Bank	"	700,000	2016.09.29	0.990	0.888	(487)
Taipei Fubon Bank	"	900,000	2018.06.01	1.310	0.891	(6,241)
Taipei Fubon Bank	"	500,000	2018.06.01	1.278	0.891	(3,034)
Taipei Fubon Bank	"	300,000	2018.06.01	1.265	0.891	(1,715)
E.SUN Bank	"	700,000	2016.09.29	1.183	0.888	(1,881)
E.SUN Bank	"	700,000	2016.09.29	0.990	0.888	(382)
E.SUN Bank	"	500,000	2018.06.01	1.290	0.891	(3,195)
SinoPac Bank	"	875,000	2016.09.29	1.066	0.888	(1,209)
SinoPac Bank	"	700,000	2016.09.29	1.183	0.888	(1,874)
SinoPac Bank	"	600,000	2016.09.29	0.990	0.888	(324)
Ta Chong Bank	"	700,000	2016.09.29	1.183	0.888	(1,899)
ANZ Bank	"	500,000	2018.06.01	1.280	0.891	(3,026)
ANZ Bank	"	200,000	2018.06.01	1.260	0.891	(1,101)
		$ 11,050,000				$ (38,039)

December 31, 2013

Bank	Item	Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
Chinatrust Commercial Bank	Interest rate swap contracts	$ 375,000	2014.12.02	1.135	0.863	$ (731)
Chinatrust Commercial Bank	"	250,000	2014.12.02	0.935	0.863	(113)
Chinatrust Commercial Bank	"	600,000	2018.06.01	1.310	-	(348)
Citibank	"	375,000	2014.12.02	1.135	0.863	(753)
Citibank	"	250,000	2014.12.02	0.843	0.863	44
Citibank	"	500,000	2018.06.01	1.340	-	(738)
Taipei Fubon Bank	"	250,000	2014.12.02	1.140	0.863	(496)
Taipei Fubon Bank	"	875,000	2016.09.29	1.066	0.883	(1,368)
Taipei Fubon Bank	"	700,000	2016.09.29	1.180	0.883	(2,766)
Taipei Fubon Bank	"	500,000	2016.09.29	0.967	0.883	255
Taipei Fubon Bank	"	700,000	2016.09.29	0.990	0.883	16
Taipei Fubon Bank	"	900,000	2018.06.01	1.310	-	(519)
Taipei Fubon Bank	"	500,000	2018.06.01	1.278	-	140
Taipei Fubon Bank	"	300,000	2018.06.01	1.265	-	188
E.SUN Bank	"	250,000	2014.12.02	1.140	0.863	(431)
E.SUN Bank	"	700,000	2016.09.29	1.183	0.883	(2,862)
E.SUN Bank	"	700,000	2016.09.29	0.990	0.883	(31)
E.SUN Bank	"	500,000	2018.06.01	1.290	-	(157)
SinoPac Bank	"	875,000	2016.09.29	1.066	0.883	(1,400)
SinoPac Bank	"	700,000	2016.09.29	1.183	0.883	(2,826)
SinoPac Bank	"	600,000	2016.09.29	0.990	0.883	(9)
Ta Chong Bank	"	700,000	2016.09.29	1.183	0.883	(2,822)
ANZ Bank	"	500,000	2018.06.01	1.280	-	(9)
ANZ Bank	"	200,000	2018.06.01	1.260	-	104
		$ 12,800,000				$ (17,632)

The Company entered into interest swap contracts for the years ended December 31, 2014 and 2013 to manage exposures to interest rate fluctuations.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2014	**2013**
Domestic investments		
Listed shares	$ 4,362,146	$ 4,473,233

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET- CURRENT

	December 31	
	2014	**2013**
Time deposits with original maturity more than three months	$ 1,344,855	$ 902,341

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2014	**2013**
Notes receivable (including related parties)		
Notes receivable - operating	$ 16,353	$ 13,530
Notes receivable - non-operating	65	973
Less: Allowance for doubtful accounts	-	-
	$ 16,418	$ 14,503
Accounts receivable (including related parties)		
Accounts receivable	$ 1,766,574	$ 1,503,098
Less: Allowance for doubtful accounts	-	-
	$ 1,766,574	$ 1,503,098
Other receivables		
Tax refund receivables	$ 69,539	$ 58,673
Others	134,741	167,924
Less: Allowance for doubtful accounts	-	-
	$ 204,280	$ 226,597

In determining the recoverability of accounts receivable, the Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful account was recognized based on past due of the reporting period and past default experience.

a. Notes receivable

The notes receivable balances at December 31, 2014 and 2013 were not past due.

b. Accounts receivable

1) The aging analysis of the accounts receivable as at December 31, 2014 and 2013 were as follows:

December 31, 2014

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Less than 30 days	$ 1,153,330	$ -	$ -	$ -	$ 1,153,330
31-90 days	600,928	-	-	-	600,928
More than 91 days	-	-	12,316	-	12,316
	$ 1,754,258	$ -	$ 12,316	$ -	$ 1,766,574

December 31, 2013

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Less than 30 days	$ 1,042,209	$ -	$ -	$ -	$ 1,042,209
31-90 days	460,889	-	-	-	460,889
More than 91 days	-	-	-	-	-
	$ 1,503,098	$ -	$ -	$ -	$ 1,503,098

The above aging schedule was based on the invoice date.

2) Movements of the allowance for accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2013	$ 762	$ -	$ 762
Less: Amounts written off during the year as uncollectible	(762)	-	(762)
Balance at December 31, 2013	$ -	$ -	$ -

11. INVENTORIES

	December 31 2014	December 31 2013
Raw materials	$ 64,076	$ 64,080
Supplies	311	2,035
Work in progress	1,047	2,086
Finished goods	33,054	40,203
Merchandise	9,018	11,227
	$ 107,506	$ 119,631

a. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 was $9,187,671 thousand and $8,806,353 thousand, respectively.

b. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 included inventory write-downs of $10,000 thousand.

12. OTHER ASSETS

	December 31	
	2014	**2013**
Current		
Prepayments	$ 54,138	$ 24,401
Supplies inventory	1,430	1,801
Temporary payments	3,934	1,971
Value-added tax retained	3,040	1,786
	$ 62,542	$ 29,959
Non-current		
Prepayments	$ 31,590	$ 17,418
Prepayments for equipment	19,623	12,857
Refundable deposits	6,121	11,148
Others	3,871	325
	$ 61,205	$ 41,748

13. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2014	**2013**
Domestic shares		
Unlisted shares	$ 61,000	$ 60,000
Classified according to measurement categories		
Available-for-sale financial assets	$ 61,000	$ 60,000

a. Management believed that the above investments held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

b. The Company had recorded impairment loss in the amount of $80,000 thousand, equal to the investment cost for DTE Technologies Corp. In addition, DTE Technologies Corp. resolved to liquidate and dissolve on November 25, 2013.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2014	2013
Investments in subsidiaries	$ 73,883,204	$ 68,540,615
Investments in associates	10,494,809	6,653,734
	$ 84,378,013	$ 75,194,349

a. Investments in subsidiaries

	December 31	
	2014	2013
Unlisted companies	$ 73,883,204	$ 68,540,615

At the end of the reporting period, the proportion of ownership and voting rights in subsidiary held by the Company were as follows:

	December 31	
Name of Associate	2014	2013
Wealthplus Holdings Limited	100.00%	100.00%
Win Fortune Investments Limited	100.00%	100.00%
Windsor Entertainment Co., Ltd.	100.00%	100.00%
Pou Shine Investments Co., Ltd.	100.00%	100.00%
Pan Asia Insurance Services Co., Ltd.	100.00%	100.00%
Barits Development Corporation	99.47%	99.47%
Pou Yuen Technology Co., Ltd.	97.82%	97.82%
Pro Arch International Development Enterprise Inc.	96.32%	96.32%
Pou Yii Development Co., Ltd.	15.00%	15.00%
Wang Yi Construction Co., Ltd.	7.82%	7.82%
LNC Technology Co., Ltd.	-	-

1) The Company holds less than 50% interest in Pou Yii and Wang Yi, but the Company and its subsidiaries hold more than 50% interest in Pou Yii and Wang Yi; therefore, the Company has control over Pou Yii and Wang Yi.

2) In August 2013, the Company sold all of its shares in LNC Technology (refer to Note 27).

3) The investments in subsidiaries accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2014 and 2013 was based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31	
	2014	2013
Listed companies	$ 2,022,894	$ 2,296,426
Unlisted companies	8,471,915	4,357,308
	$ 10,494,809	$ 6,653,734

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Company were as follows:

	December 31	
	2014	2013
Techview International Technology Inc.	30.00%	30.00%
Ruen Chen Investment Holding Co., Ltd.	20.00%	20.00%
Elitegroup Computer Systems Co., Ltd.	12.58%	12.63%

1) Ruen Chen issued 1,000,000 thousand shares with $10 per share in September 2013, of which 200,000 thousand shares in the amount of $2,000,000 thousand, were subscribed by the Company in proportion to the percentage of ownership.

2) The Company holds less than 20% interest of Elite Computer Systems Co., Ltd. but the Company has the power to appoint three out of the nine directors of Elite Computer Systems Co., Ltd.; therefore, the Company is able to exercise significant influence over Elite Computer Systems Co., Ltd.

3) The investments accounted for using equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2014 and 2013 was based on the associates' financial statements audited by the auditors for the same years.

4) The quoted market price of investments in associates which are publicly traded stocks is summarized as follows (based on the closing price of those investments at the balance sheet date):

	December 31	
Name of Associate	2014	2013
Elitegroup Computer Systems Co., Ltd.	$ 1,867,284	$ 1,580,170

5) The summarized financial information in respect of the Company's associates is set out below:

	December 31	
	2014	2013
Total assets	$ 2,878,059,693	$ 2,506,109,350
Total liabilities	$ (2,806,741,853)	$ (2,454,966,565)

	For the Year Ended December 31	
	2014	2013
Revenue	$ 566,668,781	$ 545,719,549
Net income	$ 21,192,180	$ 20,265,769
Other comprehensive income (loss)	$ 3,111,118	$ (56,593,206)
Share of profit of associates	$ 3,745,728	$ 3,383,168

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2013	$ 1,305,545	$ 3,687,244	$ 508,220	$ 224,129	$ 352,060	$ 70,067	$ -	$ 6,147,265
Additions	-	58,414	26,535	8,625	21,757	825	4,398	120,554
Disposals	-	(231)	(32,256)	(21,886)	(18,349)	(923)	-	(73,645)
Transfer from prepayments for equipment	-	-	9,091	2,130	294	23	-	11,538
Transfer from investment property	330,523	256,465	-	-	-	-	-	586,988
Balance at December 31, 2013	$ 1,636,068	$ 4,001,892	$ 511,590	$ 212,998	$ 355,762	$ 69,992	$ 4,398	$ 6,792,700
Accumulated depreciation								
Balance at January 1, 2013	$ -	$ 1,481,920	$ 387,839	$ 179,464	$ 314,913	$ 59,053	$ -	$ 2,423,189
Disposals	-	(179)	(24,601)	(20,514)	(18,172)	(720)	-	(64,186)
Depreciation expense	-	99,985	32,612	13,338	23,559	4,215	-	173,709
Transfer from investment property	-	114,865	-	-	-	-	-	114,865
Balance at December 31, 2013	$ -	$ 1,696,591	$ 395,850	$ 172,288	$ 320,300	$ 62,548	$ -	$ 2,647,577
Carrying amounts at January 1, 2013	$ 1,305,545	$ 2,205,324	$ 120,381	$ 44,665	$ 37,147	$ 11,014	$ -	$ 3,724,076
Carrying amounts at December 31, 2013	$ 1,636,068	$ 2,305,301	$ 115,740	$ 40,710	$ 35,462	$ 7,444	$ 4,398	$ 4,145,123
Cost								
Balance at January 1, 2014	$ 1,636,068	$ 4,001,892	$ 511,590	$ 212,998	$ 355,762	$ 69,992	$ 4,398	$ 6,792,700
Additions	-	28,359	56,603	4,841	17,576	1,894	11,980	121,253
Disposals	-	(4,344)	(104,353)	(32,771)	(25,188)	(2,256)	-	(168,912)
Transfer from prepayments for equipment	-	-	12,897	15,238	-	-	-	28,135
Transfer from (to) investment property	15,645	(10,266)	-	-	-	-	-	5,379
Reclassified	-	14,981	-	-	-	-	(14,981)	-
Balance at December 31, 2014	$ 1,651,713	$ 4,030,622	$ 476,737	$ 200,306	$ 348,150	$ 69,630	$ 1,397	$ 6,778,555
Accumulated depreciation								
Balance at January 1, 2014	$ -	$ 1,696,591	$ 395,850	$ 172,288	$ 320,300	$ 62,548	$ -	$ 2,647,577
Disposals	-	(1,079)	(79,278)	(31,056)	(24,948)	(2,192)	-	(138,553)
Depreciation expense	-	107,548	32,715	14,298	20,160	3,111	-	177,832
Transfer to investment property	-	(11,470)	-	-	-	-	-	(11,470)
Balance at December 31, 2014	$ -	$ 1,791,590	$ 349,287	$ 155,530	$ 315,512	$ 63,467	$ -	$ 2,675,386
Carrying amounts at January 1, 2014	$ 1,636,068	$ 2,305,301	$ 115,740	$ 40,710	$ 35,462	$ 7,444	$ 4,398	$ 4,145,123
Carrying amounts at December 31, 2014	$ 1,651,713	$ 2,239,032	$ 127,450	$ 44,776	$ 32,638	$ 6,163	$ 1,397	$ 4,103,169

a. The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Items	Estimated Useful Life
Buildings and improvements	
Main buildings	55 years
Elevators	15 years
Machinery and equipment	5-12 years
Transportation equipment	5 years
Office equipment	3-7 years
Other equipment	3-10 years

b. The Company has three parcels of land located in Changhwa County with carrying value of $56,102 thousand. Due to certain restrictions under the land regulations, the ownership for these three parcels of land resides with a trustee through a trust agreement which prohibits the trustee from selling, pledging or hypothecating the property.

16. INVESTMENT PROPERTIES

	2014	2013
Cost		
Balance at January 1	$ 2,548,101	$ 3,135,013
Additions	-	76
Transfer to property plant and equipment	(5,379)	(586,988)
Balance at December 31	$ 2,542,722	$ 2,548,101
Accumulated depreciation and impairment		
Balance at January 1	$ 396,018	$ 452,594
Depreciation expense	52,759	58,289
Transfer from (to) property plant and equipment	11,470	(114,865)
Balance at December 31	$ 460,247	$ 396,018
Carrying amounts at January 1	$ 2,152,083	$ 2,682,419
Carrying amounts at December 31	$ 2,082,475	$ 2,152,083

a. The above items of investment properties were depreciated on a straight-line method over the estimated useful life of the asset:

Items	Estimated Useful Life
Buildings	
Factories and main business buildings	55 years
Elevator equipment	15 years

b. The fair value valuation was performed by independent qualified professional valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as appraised were as follows:

	December 31	
	2014	2013
Investment property	$ 2,973,648	$ 3,043,518

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2014	2013
Unsecured borrowings		
Credit borrowings	$ 6,470,000	$ 6,320,000

The range of effective interest rate on bank borrowings was 0.89%-1.20% and 0.85%-1.20% per annum as of December 31, 2014 and 2013, respectively.

b. Long-term borrowings

	Term	Article	Interest Rate %	December 31 2014	December 31 2013
First Commercial Bank (lead lender) syndication loan	2011.06.29-2016.09.29	Facility is $13,000,000 thousand. The rate is based on the average interest rate of a 90-day or 180-day short-term bill of secondary market. The principal will be repaid in semiannual installment payments from March 27, 2015.	1.46	$ 7,000,000	$ 7,000,000
Bank of Taiwan (lead lender) syndication loan	2013.06.03-2018.06.03	Facility is $10,000,000 thousand. The rate is based on the average interest rate of a 90-day or 180-day short-term bill of secondary market. The principal will be repaid in semiannual installment payments from December 2, 2016.	1.59	10,000,000	10,000,000
				17,000,000	17,000,000
Less: Current portion				(3,500,000)	-
Less: Long-term expenses for syndication loan				(19,199)	(29,516)
				$ 13,480,801	$ 16,970,484

18. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31 2014	December 31 2013
Notes payable (including related parties)		
Operating	$ 70,846	$ 47,868
Non-operating	2,209	2,735
	$ 73,055	$ 50,603
Accounts payable (including related parties)	$ 1,587,165	$ 1,215,432

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES

	December 31 2014	December 31 2013
Payable for salaries	$ 217,080	$ 209,610
Payable for purchase of property, plant and equipment	34,244	8,303
Compensation due to directors and supervisors	169,882	72,188
Employee bonus payable	504,171	290,465
Interest payable	32,033	29,978
Payable for annual leave	59,227	54,314
Others	225,524	235,631
	$ 1,242,161	$ 900,489

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company also adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the Pension Fund Monitoring Committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. However, in accordance with Regulations for Revenues, Expenditure, Safeguard and Utilization of the Labor Retirement Fund the returns generated by employees' pension contributions should not be below the interest rate for a 2-year time deposit with local banks.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2014	**2013**
Discount rate	1.75%	1.75%
Expected return rate on plan assets	2.00%	2.00%
Expected rate of salary increase	2.00%	2.00%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2014	**2013**
Current service cost	$ 22,364	$ 22,663
Interest cost	28,587	21,842
Expected return on plan assets	(2,288)	(5,949)
	$ 48,663	$ 38,556
An summary by function		
Operating cost	$ 427	$ 941
Marketing expenses	40	69
Administration expenses	36,345	17,633
Research and development expenses	11,851	19,913
	$ 48,663	$ 38,556

Actuarial losses recognized in other comprehensive loss and transferred to retained earnings for the years ended December 31, 2014 and 2013 were $179,710 thousand and $239,109 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive loss as of December 31, 2014 and 2013 was $606,609 thousand and $426,899 thousand, respectively.

The amount included in the balance sheet in respect of the Company's obligation to its defined benefit plans was as follows:

	December 31	
	2014	2013
Present value of funded defined benefit obligation	$ 1,725,694	$ 1,708,531
Fair value of plan assets	(10,709)	(174,178)
Net liability arising from defined benefit obligation	$ 1,714,985	$ 1,534,353

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ 1,708,531	$ 1,588,487
Current service cost	22,364	22,663
Interest cost	28,587	21,842
Actuarial losses	181,310	236,309
Benefits paid	(215,098)	(160,770)
Balance at December 31	$ 1,725,694	$ 1,708,531

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ 174,178	$ 301,822
Expect return on plan assets	2,288	5,949
Actuarial gains (losses)	1,600	(2,800)
Contributions from the employer	47,741	29,977
Benefit paid	(215,098)	(160,770)
Balance at December 31	$ 10,709	$ 174,178

For the years ended December 31, 2014 and 2013, the actual returns on plan assets were $3,888 thousand and $3,149 thousand, respectively.

The major categories of plan assets at the end of the reporting period for each category were as follows:

	December 31	
	2014	2013
Equity instruments	49.69	43.64
Debt instruments	11.92	9.83
Cash and short-term commercial paper	21.10	26.51
Fixed income instruments	14.46	19.11
Others	2.83	0.91
	100.00	100.00

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs:

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ (1,725,694)	$ (1,708,531)	$ (1,588,487)	$ (1,449,460)
Fair value of plan assets	$ 10,709	$ 174,178	$ 301,822	$ 359,301
Deficit	$ (1,714,985)	$ (1,534,353)	$ (1,286,665)	$ (1,090,159)
Experience adjustments on plan liabilities	$ (181,310)	$ (323,666)	$ (183,389)	$ -
Experience adjustments on plan assets	$ 1,600	$ (2,800)	$ (4,401)	$ -

The Company expects to make a contribution of $229,502 thousand and $30,413 thousand, respectively to the defined benefit plans in the next year starting from 2014 and 2013.

21. EQUITY

a. Share capital

	December 31	
	2014	2013
Numbers of shares authorized (in thousands)	4,500,000	4,500,000
Shares authorized	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,944,137	2,944,137
Shares issued	$ 29,441,372	$ 29,441,372

The Company's employee share options were exercised for 952 thousand shares (amounted to $9,523 thousand) during the year ended December 31, 2013.

b. Capital surplus

	December 31	
	2014	2013
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Recognized from issuance of common shares	$ 827,403	$ 827,403
Recognized from conversion of bonds	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,606,313
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	503,573	465,103
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	19,788	19,788

(Continued)

	December 31	
	2014	2013
May not be used for any purpose		
Recognized from share of changes in net assets of associates	$ 4,685	$ -
	$ 4,627,549	$ 4,366,099

(Concluded)

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus are recognized from share of changes in equities of subsidiaries that resulted from equity transactions, or from share of changes in capital surplus of subsidiaries accounted by using equity method when there was no actual disposal or acquisition of subsidiaries.

c. Retained earnings and dividend policy

Under the Company Law of the ROC and the Company's Articles of Incorporation, the annual net profits should be appropriated as follows:

1) For paying taxes,

2) For offsetting deficits,

3) For legal reserve at 10% of the profits left over, and according to Article 41-1 of Securities Transaction Act, in addition to the appropriation for legal reserve, appropriation for special reserve in amount equal to debit balances, if any, in shareholders' equity (such as unrealized gain or loss on available for sale assets and exchange differences on translation foreign operations). The special reserve can be reversed and distributed as retained earnings if such deduction of shareholders' equity reversed.

4) Bonus to directors and supervisors of the Company of not more than 3% after the items one to three above were appropriated,

5) Bonus to employees of the Company of not more than 5% and not less than 1% after the items one to four above were appropriated,

6) As special reserve or being retained partially, if necessary,

7) Dividends to shareholders as proposed according to stock ownership proportion.

8) For share bonus to qualified employees, including the employees of subsidiaries of the Company meeting specific requirements. Regarding the terms and proportion, the board of directors of the Company is authorized to resolve.

For the years ended December 31, 2014 and 2013, the bonus to employees was $334,667 thousand and $142,211 thousand, respectively, and the remuneration to directors and supervisors was $169,882 thousand and $72,188 thousand, respectively. The bonus to employees and remuneration to directors and supervisors were both expense based on estimated amount of past payment experience according to the articles of incorporation. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. For the calculation of the number of shares, the fair value of the shares refer to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting.

Under Rule No. 1010012865, No. 1010047490 issued by the FSC and the "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", a special reserve from unappropriated earnings shall be made. The special reserve can be reversed and distributed as retained earnings if such deduction of shareholders' equity reversed.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2013 and 2012 had been approved in the shareholders' meetings on June 17, 2014 and June 14, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2013	**For Year 2012**	**For Year 2013**	**For Year 2012**
Legal reserve	$ 1,061,945	$ 1,015,634	$ -	$ -
Special reserve	4,744,957	1,172,074	-	-
Cash dividends	2,944,137	4,416,205	1.00	1.50

	2014		**2013**	
	Cash Dividend	**Share Dividend**	**Cash Dividend**	**Share Dividend**
Bonus to employees	$ 142,211	$ -	$ 235,472	$ -
Remuneration to directors and supervisors	72,188	-	119,529	-

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the ROC ("ROC GAAP"), and by reference to the balance sheet as of December 31, 2012, which was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 17, 2014 and June 14, 2013 and the amounts recognized in the financial statements for the years ended December 31, 2013 and 2012.

Information about the bonus to employees, directors and supervisors approved by the Company's shareholder's meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ 20,776	$ (1,843,619)
Exchange differences arising on translation of foreign operations	3,324,973	1,864,395
Balance at December 31	$ 3,345,749	$ 20,776

2) Unrealized gain or loss on available-for-sale financial assets

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ (9,200,823)	$ (176,725)
Unrealized (loss) gain on available-for-sale financial assets	(111,077)	469,074
Unrealized gain (loss) on available-for-sale financial assets of subsidiaries and associates	357,598	(9,493,172)
Balance at December 31	$ (8,954,302)	$ (9,200,823)

3) Cash flow hedges

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ -	$ (5,430)
Gain arising on the changes in the fair value of hedges instruments - interest rate swaps	-	5,430
Balance at December 31	$ -	$ -

e. Treasury shares

The changes in treasury shares were summarized as follows:

	Beginning of Year	Addition	Reduction	End of Year
For the year ended December 31, 2014				
Shares held by subsidiaries	9,934,059	-	(9,934,059)	-
For the year ended December 31, 2013				
Shares held by subsidiaries	9,934,059	-	-	9,934,059

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held	Carrying Amount	Market Price
December 31, 2013			
Pou Shine Investments Co., Ltd.	3,586,358	$ 68,161	$ 159,772
Barits Development Corporation	4,827,561	96,361	215,068
Song Ming Investments Corporation	91,094	1,818	4,058
Pou Yii Development Co., Ltd.	1,615,313	25,415	71,962
		$ 191,755	$ 450,860

1) The Company's shares held by its subsidiaries were deducted total consideration of 9,934,059 shares which were sold by Pou Shine Investments Co., Ltd. and other companies during the year ended December 31, 2014. And the profit of $218,295 thousand was recognized as capital surplus from treasury shares transactions.

2) The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

22. REVENUE

	For the Year Ended December 31	
	2014	2013
Revenue from the products	$ 11,195,078	$ 10,777,519
Revenue from the rendering of services	1,466,428	1,273,668
	$ 12,661,506	$ 12,051,187

23. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2014	2013
Rental income		
Rental income from operating lease		
Investment properties	$ 120,626	$ 156,945
Others	24,363	4,418
	144,989	161,363
Interest income		
Cash in bank	6,807	7,295
Repurchase agreements collateralized by bonds	-	2,104
Debt investment with no active market	55,911	12,267
	62,718	21,666

(Continued)

	For the Year Ended December 31	
	2014	2013
Dividend income	$ 199,970	$ 181,298
Others	140,723	84,427
	$ 548,400	$ 448,754

(Concluded)

b. Other gains and losses

	For the Year Ended December 31	
	2014	2013
Net gain on disposal of property, plant and equipment	$ 5,745	$ 19,903
Net foreign exchange gain	243,523	101,648
Net gain on disposal of subsidiaries (Note 27)	-	178,531
Net loss on disposal of available-for-sale financial assets	(4)	-
Net (loss) gain arising on financial assets designated as at FVTPL	(7,225)	16,212
Net (loss) gain arising on financial liabilities designated as at FVTPL	(23,766)	11,057
Others	(57,365)	(59,450)
	$ 160,908	$ 267,901

c. Finance costs

	For the Year Ended December 31	
	2014	2013
Interest on bank borrowings	$ 337,190	$ 359,418
Interest on short-term bills payable	883	-
Other interest expense	18,369	15,415
	$ 356,442	$ 374,833

d. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
Property, plant and equipment	$ 177,832	$ 173,709
Investment properties	52,759	58,289
	$ 230,591	$ 231,998
An analysis of depreciation by function		
Operating costs	$ 12,655	$ 16,663
Operating expenses	165,177	157,046
Non-operating expenses	52,759	58,289
	$ 230,591	$ 231,998

e. Direct expenses with investment properties

	For the Year Ended December 31	
	2014	2013
Direct operating expenses from investment properties that generated rental income	$ 65,348	$ 75,219
Direct operating expenses from investment properties that did not generated rental income	66	-
	$ 65,414	$ 75,219

f. Employee benefits expense

	2014			2013		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Salary						
Termination benefits	$ -	$ 37,806	$ 37,806	$ 1,064	$ 27,662	$ 28,726
Others	37,546	1,758,115	1,795,661	62,053	1,655,138	1,717,191
	37,546	1,795,921	1,833,467	63,117	1,682,800	1,745,917
Labor and health insurance	4,320	178,135	182,455	6,999	161,721	168,720
Post-employment benefit						
Defined contribution plans	1,238	71,970	73,208	2,178	53,247	55,425
Defined benefit plans	426	48,237	48,663	941	37,615	38,556
	1,664	120,207	121,871	3,119	90,862	93,981
Other employee benefits	1,756	547,212	548,968	2,729	266,881	269,610
Total employee benefits expense	$ 45,286	$ 2,641,475	$ 2,686,761	$ 75,964	$ 2,202,264	$ 2,278,228

As of December 31, 2014 and 2013, there were 3,164 and 2,964 employees, respectively, in the Company.

24. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of the current year	$ 566,304	$ 588,497
Income tax expense of unappropriated earnings	175,344	355,242
	741,648	943,739
Deferred tax	2,902	92,058
Adjustments for prior years' income tax	125,325	24,395
Income tax expense recognized in profit or loss	$ 869,875	$ 1,060,192

A reconciliation of accounting profit and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2014	**2013**
Income before income tax	$ 9,485,381	$ 11,679,641
Income tax expense calculated at the statutory rate	1,612,515	1,985,539
Tax effect of adjusting items		
Tax-exempt income	(933,696)	(1,358,929)
Others	(112,515)	(38,113)
Income tax on unappropriated earnings	175,344	355,242
Current tax	741,648	943,739
Deferred tax	125,325	24,395
Adjustments for prior years' income tax	2,902	92,058
Income tax expense recognized in profit or loss	$ 869,875	$ 1,060,192

The applicable tax rate used by the Company is the corporate tax rate of 17%.

As the status of 2015 appropriations of earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

The details of deferred tax assets and liabilities were as follows:

	December 31	
	2014	**2013**
Deferred tax assets		
Temporary differences		
Unrealized pension expense	$ 118,414	$ 118,257
Others	11,735	5,818
	$ 130,149	$ 124,075
Deferred tax liabilities		
Temporary differences		
Investment income from foreign subsidiaries	$ 618,758	$ 506,684
Land value increment tax	86,547	86,547
Others	19,325	-
	$ 724,630	$ 593,231

c. Integrated income tax

	December 31	
	2014	2013
Unappropriated earnings		
Unappropriated earnings generated before January 1, 1998	$ 221,425	$ 221,425
Unappropriated earnings generated on and after January 1, 1998	23,453,881	23,779,118
	$ 23,675,306	$ 24,000,543
Imputation credits accounts	$ 1,526,476	$ 941,840

	For the Year Ended December 31	
	2014 (Expected)	2013 (Actual)
Creditable ratio for distribution of earning	9.55%	9.35%

d. Income tax assessments

The tax returns of the Company through 2011 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2014 and 2013 were as follows:

	For the Year Ended December 31	
	2014	2013
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 8,615,506	$ 10,619,449
Weighted average number of shares outstanding (in thousand shares)		
Weighted average number of common shares in computation of basic earnings per share	2,944,137	2,934,000
Effect of potentially dilutive common shares:		
Employee share options	72,619	61,220
Bonus to employee	10,507	10,901
Weighted average number of common shares used in the computation of diluted earnings per share	3,027,263	3,006,121
Earnings per share (in dollars)		
Basic earnings per share	$2.93	$3.62
Diluted earnings per share	$2.85	$3.53

If the Company offered to settle the bonuses paid to employees by cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. SHARE-BASED PAYMENT ARRANGEMENTS

As at November 6, 2007, the Company has issued 125,500,000 units of employee share options to the employees with an exercise price of $29.80 dollars per share. Each of the aforementioned individual employee share options is granted the right to purchase one newly issued common share. If the Company resolved to increase additional capital stock through stock dividends or issue of new shares, the exercise price will be retroactively restated. Additionally, the share of employee share options granted but not exercised will also be adjusted. After the aforementioned adjustment, the exercise price and issued units of employee share options were $18.70 and 148,440,178 units, respectively, as of December 31, 2014.

Information about employee share options for the years ended December 31, 2014 and 2013 was as follows:

	For the Year Ended December 31			
	2014		2013	
Employee Share Options	**Number of Shares Purchasable (Thousand Shares)**	**Weighted-average Exercise Price (NT$)**	**Number of Shares Purchasable (Thousand Shares)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	148,441	$ 19.20	149,393	$ 20.20
Options exercised	-	-	(952)	20.20
Balance at December 31	148,441	18.70	148,441	19.20
Exercisable options at December 31	148,441	18.70	148,441	19.20

Information about outstanding employee share options as of December 31, 2014 and 2013 was as follows:

	December 31	
	2014	2013
Exercise price (NT$)	$18.70	$19.20
Weighted-average remaining contractual life (years)	2.85 years	3.85 years

27. DISPOSAL OF SUBSIDIARIES

On August 30, 2013, the Company sold to non-related parties all of its 38,498 thousand shares (77% ownership) in LNC Technology Co., Ltd. at $14.72 per share; the total amount was $566,665 thousand; after deducting $1,700 thousand of income tax, profit of $178,531 thousand was recognized as gain on disposal of investments (please refer also to Note 32 to the consolidated financial statements for the year ended December 31, 2014).

28. CAPITAL MANAGEMENT

The Company’s capital management policy is to ensure the Company has sufficient financial resources and operating plans to balance the working capital, capital expenditure, research and development expenditure, repayment of debt and dividends paid to shareholders within twelve months.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Management believes the carrying amounts of financial assets and financial liabilities in the following table approximate their fair values or their fair values cannot be reliably measured.

	December 31			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Debt investment with no active market	$ 1,344,855	$ 1,344,855	$ 902,341	$ 902,341
Financial assets measured at cost	61,000	-	60,000	-
Other loans and receivables	3,643,656	3,643,656	2,846,732	2,846,732
Financial liabilities				
Bank borrowings	23,450,801	23,450,801	23,290,484	23,290,484
Other financial liabilities measured at amortized cost	2,920,181	2,920,181	2,184,921	2,184,921

2) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices in active market for identical assets or liabilities.

	December 31	
	2014	2013
Financial assets		
Available-for-sale financial assets		
Domestic listed securities		
Equity investment	$ 4,362,146	$ 4,473,233

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

	December 31	
	2014	**2013**
Financial assets		
Financial assets at FVTPL		
Derivative financial instruments	$ 1,377	$ 13,523
Financial liabilities		
Financial liabilities at FVTPL		
Derivative financial instruments	38,039	17,632

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair value of financial assets and financial liabilities are determined as follows:

a) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices (includes listed bonds). Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument.

b) The fair value of derivative instruments were calculated using quoted prices. When such prices were not available, a valuation method was used and the estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	December 31	
	2014	**2013**
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 1,377	$ 13,523
Loans and receivables (Note 1)	4,988,511	3,749,073
Available-for-sale financial assets	4,362,146	4,473,233
Financial assets measured at cost	61,000	60,000
Investments accounted for using equity method	84,378,013	75,194,349
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	38,039	17,632
Amortized cost (Note 2)	26,370,982	25,475,405

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables, and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, receivables, payables and borrowings. The Company's treasury function monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include exchange rate risk, interest rate risk, credit risk and liquidity risk.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts and other derivate instruments.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and the carrying amount of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

The following table details the Company's sensitivity to 5% increase (decrease) in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A positive (negative) number below indicates an increase (decrease) in pre-tax profit with New Taiwan dollars strengthened (weakened) 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	For the Year ended December 31	
	2014	**2013**
USD	$ (150,271)	$ (91,072)
RMB	(87,805)	(83,157)

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts.

The carrying amounts of the Company's financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	December 31	
	2014	**2013**
Cash flow interest rate risk		
Financial liabilities	$ 23,450,801	$ 23,290,484

Sensitivity analysis

The sensitivity analyses below were based on the Company's floating rate liabilities. The analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. If 1% increase in interest rate would cause the Company to increase its cash-out by $234,508 thousand and $232,905 thousand during the years ended December 31, 2014 and 2013, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity price declined by 1%, the fair value of the investments at December 31, 2014 and 2013 would have decrease by $62,294 thousand and $60,534 thousand, respectively.

2) Credit risk

Financial instruments are evaluated for credit risk which represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached the contracts. The risk includes centralization of credit risk, components, contracts figure, and its accounts receivable. Besides, the Company requires significant clients to provide guarantees or other rights to reduce credit risk of the Company effectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2014 and 2013, the Company had available unutilized short-term bank borrowing facilities set out in (c) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The tables had been drawn up based on the undiscounted cash flows of financial liabilities included both interest and principal from the earliest date on which the Company can be required to pay.

December 31, 2014

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 846,058	$ 1,091,136	$ 982,987	$ -	$ -
Variable interest rate liabilities	1.39	-	-	9,970,000	13,500,000	-
		$ 846,058	$ 1,091,136	$ 10,952,987	$ 13,500,000	$ -

December 31, 2013

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 747,376	$ 985,017	$ 434,131	$ -	$ -
Variable interest rate liabilities	1.39	-	-	6,320,000	17,000,000	-
		$ 747,376	$ 985,017	$ 6,754,131	$ 17,000,000	$ -

The amounts included above for variable interest rate instruments for both non-derivative financial liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2014

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swaps contracts	$ -	$ -	$ -	$ 38,039	$ -

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swaps contracts	$ -	$ -	$ 2,480	$ 15,152	$ -

c) Financing facilities

	December 31	
	2014	2013
Unsecured bank facility and reviewed annually:		
Amount used	$ 23,475,383	$ 23,321,721
Amount unused	10,702,097	11,824,069
	$ 34,177,480	$ 35,145,790

30. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

a. Operating revenue

		For the Year ended December 31	
Account Items	Related Parties Categories	2014	2013
Sales and service revenue	Subsidiaries	$ 12,266,409	$ 11,512,212
	Associates	76,597	92,171
	Others	-	60,717
		$ 12,343,006	$ 11,665,100

Sales to related parties have prices and receivable terms that have no significant differences with non-related parties.

The Company entered into a technical service agreement with Yue Yuen. According to the agreement, the service fees that the Company will receive from Yue Yuen are determined by:

1) For products developed by the Company and sold by Yue Yuen, 0.5% of net sales invoice amounts.

2) For materials, machines and other goods purchased, inspected and arranged for shipment through the Company from Taiwan suppliers, 1% of supplier's invoice amounts.

3) For materials, machines and other goods purchased from Taiwan or overseas directly by Yue Yuen through sourcing services provided by the Company, 0.5% of the supplier's invoice amounts.

b. Purchases

	For the Year ended December 31	
Related Parties Categories	2014	2013
Subsidiaries	$ 40,524	$ 91,728
Associates	880,642	872,520
	$ 921,166	$ 964,248

Purchases from related parties have prices and payment terms that have no significant differences with non-related parties.

c. Rental income

Related Parties Categories	For the Year Ended December 31 2014	2013
Subsidiaries	$ 124,133	$ 141,014
Associates	1,021	1,269
Others	1,295	1,294
	$ 126,449	$ 143,577

d. Receivables from related parties

Related Parties Categories	December 31 2014	2013
Subsidiaries	$ 1,717,324	$ 1,420,713
Associates	6,082	4,940
Others	-	15,483
	$ 1,723,406	$ 1,441,136

e. Payables to related parties

Related Parties Categories	December 31 2014	2013
Subsidiaries	$ 4,379	$ 24,785
Associates	144,644	116,694
	$ 149,023	$ 141,479

f. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year ended December 31 2014	2013
Short-term employee benefits	$ 221,381	$ 107,791
Post-employment benefits	2,018	1,803
	$ 223,399	$ 109,594

The remuneration of directors and key management personnel was determined by the remuneration committee having regard to the performance of individuals and market trends.

31. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

a. Outstanding letters of credit of the Company at the end of reporting period were as follows:

(Units: In Thousands of Foreign Currencies)

	December 31	
	2014	**2013**
USD	$ 67,392	$ 57,734

b. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request by the FSC, the Company provides shares of Yue Yuen in the custody during the period from June 27, 2011 to June 27, 2021. The Company will not disposal or do encumbrance to the shares of Wealthplus which is equal to the shares of Yue Yuen during the trust period.

c. Because of the Company's investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd., the Company received a request by the FSC for the Company to provide 490,000 thousand ordinary shares of Ruen Chen in the custody of the trust department of First Bank, and the trust period is ten years.

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: In Thousands of Foreign Currencies/ In Thousands of New Taiwan Dollars

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 95,882	31.650	$ 3,034,677
RMB	344,064	5.092	1,751,975
Non-monetary items			
RMB	270	5.092	1,377
Financial liabilities			
Monetary items			
USD	895	31.650	28,317

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 62,495	29.805	$ 1,862,651
RMB	340,806	4.889	1,666,198
Non-monetary items			
USD	454	29.805	13,523
Financial liabilities			
Monetary items			
USD	1,368	29.805	40,768