

**Kwong Lung Enterprise Co., Ltd. and  
Subsidiaries**

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2014 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 “Consolidated and Separate Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KWONG LUNG ENTERPRISE CO., LTD.

By

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March 20, 2015

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Kwong Lung Enterprise Co., Ltd.

We have audited the accompanying consolidated balance sheets of Kwong Lung Enterprise Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014, December 31, 2013 and January 1, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the 2014 and 2013 financial statements of certain consolidated subsidiaries which reflect total assets constituting 36% (NT\$2,106,239 thousand), 41% (NT\$2,057,544 thousand) and 34% (NT\$1,602,348 thousand) of consolidated total assets as of December 31, 2014, December 31, 2013 and January 1, 2013, respectively, and total sales constituting 16% (NT\$1,424,689 thousand) and 19% (NT\$1,699,352 thousand) of consolidated total sales for the years ended December 31, 2014 and 2013, respectively. Such financial statements of certain subsidiaries were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and information disclosed relative to these consolidated subsidiaries, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014, December 31, 2013 and January 1, 2013, and their consolidated financial performance and their consolidated 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 and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

As described in Note 4 to the consolidated financial statements, the Company changed the accounting policy from the monthly weighted-average cost method to the moving-weighted-average cost method and retroactively restated the consolidated financial statements for the year 2013. The accompanying consolidated balance sheets as of December 31, 2013 and January 1, 2013 have been retroactively restated.

We have also audited the parent company only financial statements of Kwong Lung Enterprise Co., Ltd. as of and for the years ended December 31, 2014 and 2013 on which we have issued a modified unqualified report.

March 20, 2015

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.*

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2014		December 31, 2013 (Restated)		January 1, 2013 (Restated)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash (Note 6)	\$ 330,794	6	\$ 391,730	8	\$ 366,161	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	7,729	-	42,423	1	64,683	1
Notes receivable (Notes 4 and 10)	126,304	2	115,573	2	177,954	4
Trade receivables (Notes 4, 5 and 10)	620,612	11	562,242	11	693,178	15
Other receivables (Notes 4 and 10)	111,109	2	67,946	1	65,098	1
Inventories (Notes 4, 5 and 11)	3,071,272	53	2,212,518	44	1,772,639	38
Prepayments	40,330	1	126,448	3	136,216	3
Prepayments for lease (Notes 4 and 15)	2,945	-	2,779	-	2,740	-
Other current assets	91,490	1	92,752	2	18,061	-
Total current assets	<u>4,402,585</u>	<u>76</u>	<u>3,614,411</u>	<u>72</u>	<u>3,296,730</u>	<u>70</u>
<b>NON-CURRENT ASSETS</b>						
Available-for-sale financial assets - non-current (Notes 4 and 8)	41,774	1	34,986	1	37,165	1
Financial assets measured at cost - non-current (Notes 4 and 9)	35,095	1	35,095	1	35,095	1
Investments accounted for using equity method (Notes 4, 5 and 12)	31,008	1	30,797	1	27,677	-
Property, plant and equipment (Notes 4, 13, 29 and 30)	1,128,704	19	1,138,053	23	1,169,424	25
Other intangible assets (Notes 4 and 14)	49,639	1	61,386	1	54,162	1
Deferred tax assets (Notes 4 and 22)	21,908	-	25,455	-	34,688	1
Refundable deposits	28,778	-	9,413	-	9,917	-
Long-term prepayments for lease (Notes 4 and 15)	60,634	1	61,273	1	60,064	1
Other non-current assets	6,606	-	-	-	-	-
Total non-current assets	<u>1,404,146</u>	<u>24</u>	<u>1,396,458</u>	<u>28</u>	<u>1,428,192</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 5,806,731</u>	<u>100</u>	<u>\$ 5,010,869</u>	<u>100</u>	<u>\$ 4,724,922</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 16 and 30)	\$ 317,677	6	\$ 528,197	11	\$ 953,155	20
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	13,884	-	-	-	-	-
Notes payable (Note 17)	13,968	-	15,506	-	18,496	-
Trade payables (Notes 17 and 29)	964,353	17	675,341	14	467,728	10
Other payables (Note 18)	317,154	5	319,501	6	327,222	7
Current tax liabilities (Notes 4 and 22)	54,844	1	60,142	1	21,619	-
Current portion of long-term borrowings (Notes 16 and 30)	275,876	5	246,256	5	379,590	8
Other current liabilities	22,426	-	15,988	-	26,237	1
Total current liabilities	<u>1,980,182</u>	<u>34</u>	<u>1,860,931</u>	<u>37</u>	<u>2,194,047</u>	<u>46</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 16 and 30)	575,212	10	811,982	16	513,954	11
Deferred tax liabilities (Notes 4 and 22)	99,563	1	98,003	2	83,948	2
Accrued pension liabilities (Notes 4, 5 and 19)	44,492	1	41,335	1	45,957	1
Deposits received	14	-	30	-	3,534	-
Total non-current liabilities	<u>719,281</u>	<u>12</u>	<u>951,350</u>	<u>19</u>	<u>647,393</u>	<u>14</u>
Total liabilities	<u>2,699,463</u>	<u>46</u>	<u>2,812,281</u>	<u>56</u>	<u>2,841,440</u>	<u>60</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital						
Ordinary shares	1,046,670	18	896,670	18	895,800	19
Capital surplus						
Additional paid-in capital	841,583	14	327,629	6	327,940	7
Treasury stock transactions	29,284	1	29,284	1	29,284	1
Employee share option	35,197	1	7,134	-	-	-
Total capital surplus	<u>906,064</u>	<u>16</u>	<u>364,047</u>	<u>7</u>	<u>357,224</u>	<u>8</u>
Retain earnings						
Legal reserve	247,841	4	211,736	5	191,139	4
Special reserve	-	-	56,117	1	-	-
Unappropriated earnings	783,156	14	652,704	13	484,329	10
Total retain earnings	<u>1,030,997</u>	<u>18</u>	<u>920,557</u>	<u>19</u>	<u>675,468</u>	<u>14</u>
Other equity						
Exchange differences on translating foreign operations	118,374	2	18,430	-	(44,686)	(1)
Unrealized gain (loss) on available-for-sale financial assets	4,285	-	(2,503)	-	(324)	-
Total other equity	<u>122,659</u>	<u>2</u>	<u>15,927</u>	<u>-</u>	<u>(45,010)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	<u>3,106,390</u>	<u>54</u>	<u>2,197,201</u>	<u>44</u>	<u>1,883,482</u>	<u>40</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>878</u>	<u>-</u>	<u>1,387</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity (Notes 4, 20 and 24)	<u>3,107,268</u>	<u>54</u>	<u>2,198,588</u>	<u>44</u>	<u>1,883,482</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 5,806,731</u>	<u>100</u>	<u>\$ 5,010,869</u>	<u>100</u>	<u>\$ 4,724,922</u>	<u>100</u>

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

(With Deloitte &amp; Touche auditors' report dated March 20, 2015)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2014		2013 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUE (Note 4)				
Sales	\$ 9,008,172	100	\$ 9,093,373	100
OPERATING COSTS (Notes 11, 21 and 29)				
Cost of goods sold	<u>(7,640,678)</u>	<u>(85)</u>	<u>(7,862,374)</u>	<u>(86)</u>
GROSS PROFIT	<u>1,367,494</u>	<u>15</u>	<u>1,230,999</u>	<u>14</u>
OPERATING EXPENSES (Notes 21 and 29)				
Selling and marketing expenses	(516,919)	(6)	(445,859)	(5)
General and administrative expenses	(260,522)	(3)	(255,436)	(3)
Research and development expenses	<u>(100,333)</u>	<u>(1)</u>	<u>(91,633)</u>	<u>(1)</u>
Total operating expenses	<u>(877,774)</u>	<u>(10)</u>	<u>(792,928)</u>	<u>(9)</u>
PROFIT FROM OPERATIONS	<u>489,720</u>	<u>5</u>	<u>438,071</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 21)				
Other income	14,330	-	5,303	-
Other gains and losses	41,442	-	64,352	1
Finance costs	(43,306)	-	(39,421)	(1)
Share of profit or loss of associates and joint ventures	<u>3,036</u>	<u>-</u>	<u>2,701</u>	<u>-</u>
Total non-operating income and expenses	<u>15,502</u>	<u>-</u>	<u>32,935</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	505,222	5	471,006	5
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(123,482)</u>	<u>(1)</u>	<u>(108,080)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>381,740</u>	<u>4</u>	<u>362,926</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	99,881	1	63,104	1
Unrealized gain (loss) on available-for-sale financial assets	6,788	-	(2,179)	-

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# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2014		2013 (Restated)	
	Amount	%	Amount	%
Actuarial gain and loss arising from defined benefit plans	\$ (3,307)	-	\$ (1,706)	-
Income tax relating to components of other comprehensive income	<u>562</u>	<u>-</u>	<u>290</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>103,924</u>	<u>1</u>	<u>59,509</u>	<u>1</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 485,664</u>	<u>5</u>	<u>\$ 422,435</u>	<u>5</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 382,186	4	\$ 362,959	4
Non-controlling interests	<u>(446)</u>	<u>-</u>	<u>(33)</u>	<u>-</u>
	<u>\$ 381,740</u>	<u>4</u>	<u>\$ 362,926</u>	<u>4</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 486,173	5	\$ 422,480	5
Non-controlling interests	<u>(509)</u>	<u>-</u>	<u>(45)</u>	<u>-</u>
	<u>\$ 485,664</u>	<u>5</u>	<u>\$ 422,435</u>	<u>5</u>
<b>EARNINGS PER SHARE (Note 23)</b>				
From continuing operations				
Basic	<u>\$4.00</u>		<u>\$4.05</u>	
Diluted	<u>\$3.84</u>		<u>\$3.93</u>	

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

(With Deloitte & Touche auditors' report dated March 20, 2015)

(Concluded)

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus			Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
		Additional Paid-in Capital	Treasury Stock Transactions	Employee Share Option	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2013	\$ 895,800	\$ 327,940	\$ 29,284	\$ -	\$ 191,139	\$ -	\$ 484,059	\$ (44,686)	\$ (324)	\$ 1,883,212	\$ -	\$ 1,883,212
Effect of retrospective application and retroactive restatement	-	-	-	-	-	-	270	-	-	270	-	270
BALANCE AT JANUARY 1, 2013 RESTATED	895,800	327,940	29,284	-	191,139	-	484,329	(44,686)	(324)	1,883,482	-	1,883,482
Appropriation of the 2012 earnings (Note 20)												
Legal reserve	-	-	-	-	20,597	-	(20,597)	-	-	-	-	-
Special reserve	-	-	-	-	-	56,117	(56,117)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(116,454)	-	-	(116,454)	-	(116,454)
Recognition of employee share options by the Company (Note 24)	-	-	-	7,134	-	-	-	-	-	7,134	-	7,134
Net profit for the year ended December 31, 2013	-	-	-	-	-	-	362,959	-	-	362,959	(33)	362,926
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	-	-	(1,416)	63,116	(2,179)	59,521	(12)	59,509
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	361,543	63,116	(2,179)	422,480	(45)	422,435
Issue of ordinary shares under employee share options	870	(311)	-	-	-	-	-	-	-	559	-	559
Additional non-controlling interest	-	-	-	-	-	-	-	-	-	-	1,432	1,432
BALANCE AT DECEMBER 31, 2013	\$ 896,670	\$ 327,629	\$ 29,284	\$ 7,134	\$ 211,736	\$ 56,117	\$ 652,704	\$ 18,430	\$ (2,503)	\$ 2,197,201	\$ 1,387	\$ 2,198,588
BALANCE AT JANUARY 1, 2014	\$ 896,670	\$ 327,629	\$ 29,284	\$ 7,134	\$ 211,736	\$ 56,117	\$ 650,523	\$ 18,430	\$ (2,503)	\$ 2,195,020	\$ 1,387	\$ 2,196,407
Effect of retrospective application and retroactive restatement	-	-	-	-	-	-	2,181	-	-	2,181	-	2,181
BALANCE AT JANUARY 1, 2014 RESTATED	896,670	327,629	29,284	7,134	211,736	56,117	652,704	18,430	(2,503)	2,197,201	1,387	2,198,588
Appropriation of the 2013 earnings (Note 20)												
Legal reserve	-	-	-	-	36,105	-	(36,105)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(56,117)	56,117	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(269,001)	-	-	(269,001)	-	(269,001)
Recognition of employee share options by the Company (Note 24)	-	-	-	28,063	-	-	-	-	-	28,063	-	28,063
Issue of ordinary shares for cash	150,000	513,954	-	-	-	-	-	-	-	663,954	-	663,954
Net profit for the year ended December 31, 2014	-	-	-	-	-	-	382,186	-	-	382,186	(446)	381,740
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	-	(2,745)	99,944	6,788	103,987	(63)	103,924
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	379,441	99,944	6,788	486,173	(509)	485,664
BALANCE AT DECEMBER 31, 2014	\$ 1,046,670	\$ 841,583	\$ 29,284	\$ 35,197	\$ 247,841	\$ -	\$ 783,156	\$ 118,374	\$ 4,285	\$ 3,106,390	\$ 878	\$ 3,107,268

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

(With Deloitte &amp; Touche auditors' report dated March 20, 2015)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2014	2013 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 505,222	\$ 471,006
Adjustments for:		
Reversal of impairment loss on trade receivables	(1,084)	(20)
Depreciation expenses	132,345	128,233
Amortization expenses	18,630	15,029
Amortization of prepayments for lease	2,843	2,779
Compensation cost of employee share options	39,517	7,134
Finance costs	43,306	39,421
Interest income	(4,330)	(1,717)
Dividend income	(1,891)	(1,891)
Write-down of inventories	43,861	15,147
Share of profit of associates and joint ventures	(3,036)	(2,701)
Loss on disposal of property, plant and equipment	6,035	325
Net (gain) loss on fair value change of financial assets and liabilities held for trading	6,155	(42,346)
Net gain on foreign currency exchange	(10,884)	(2,134)
Changes in operating assets and liabilities		
Decrease in derivative financial assets held for trading	42,423	64,606
(Increase) decrease in notes receivable	(10,731)	62,394
(Increase) decrease in trade receivables	(49,724)	131,958
Increase in other receivables	(42,873)	(2,726)
Increase in inventories	(914,588)	(455,026)
Decrease in prepayments	86,118	9,768
(Increase) decrease in other current assets	1,262	(74,691)
Decrease in notes payable	(1,538)	(2,990)
Increase in trade payables	288,053	206,809
Increase (decrease) in other payables	(1,744)	5,275
Decrease in accrued pension liabilities	(150)	(6,328)
Increase (decrease) in other current liabilities	<u>6,438</u>	<u>(10,249)</u>
Cash generated from operations	179,635	557,065
Interest received	4,330	1,717
Interest paid	(43,576)	(40,328)
Income tax paid	<u>(123,111)</u>	<u>(45,979)</u>
Net cash generated from operating activities	<u>17,278</u>	<u>472,475</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received from joint ventures	4,328	-
Other dividend received	1,891	1,891
Payments for property, plant and equipment	(103,046)	(103,151)
Payments for intangible assets	(6,881)	(22,235)
Increase in prepayments for lease	-	(1,130)

(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended	
	December 31	
	2014	2013 (Restated)
Increase in prepayment for equipment	(6,606)	-
Proceeds from disposal of property, plant and equipment	8,100	26,196
Increase in refundable deposits	(19,365)	-
Decrease in refundable deposits	<u>-</u>	<u>504</u>
Net cash used in investing activities	<u>(121,579)</u>	<u>(97,925)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(206,452)	(423,220)
Proceeds from long-term borrowings	650,000	670,000
Repayments of long-term borrowings	(857,150)	(505,512)
Proceeds from issue of ordinary shares	652,500	-
Refund of guarantee deposits received	(16)	(3,504)
Dividends paid to owners of the Company	(269,001)	(116,454)
Proceeds from conversion of employee stock options	-	559
Increase in non-controlling interest	<u>-</u>	<u>1,432</u>
Net cash used in financing activities	<u>(30,119)</u>	<u>(376,699)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>73,484</u>	<u>27,718</u>
NET (DECREASE) INCREASE IN CASH	(60,936)	25,569
CASH AT THE BEGINNING OF THE YEAR	<u>391,730</u>	<u>366,161</u>
CASH AT THE END OF THE YEAR	<u>\$ 330,794</u>	<u>\$ 391,730</u>

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

(With Deloitte & Touche auditors' report dated March 20, 2015)

(Concluded)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

The Company was incorporated in February 1966 under the Company Law and related regulation of the Republic of China (ROC). The Company mainly manufactures and sells various feather products including apparel, down and bedding.

The Company's shares have been traded on the Taiwan GreTai Securities Market since April 1999.

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 20, 2015.

### 3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS 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 FSC not yet effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC stipulated that the Group 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.

<b>New, Amended and Revised Standards and Interpretations (the "New IFRSs")</b>	<b>Effective Date Announced by IASB (Note)</b>
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
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013

(Continued)

<b>New, Amended and Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note)</b>
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 10 “Consolidated Financial Statements”	January 1, 2013
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 “Consolidated 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 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 would not have any material impact on the Group’s accounting policies:

1) 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, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

2) 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.

3) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires 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 Group will retrospectively apply the above amendments 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 and unrealized gains (loss) on available-for-sale financial assets. However, the application of the above amendments 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.

4) Revision to IAS 19 “Employee Benefits”

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.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities, deferred tax assets and retained earnings; the carrying amounts of inventories are not adjusted. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Group would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The anticipated impact of the initial application of the revised IAS 19 is detailed as follows:

	<b>Carrying Amount</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount</b>
<u>Impact on assets, liabilities and equity</u>			
<u>December 31, 2014</u>			
Deferred tax assets	\$ 21,908	\$ -	\$ 21,908
Accrued pension liabilities	\$ 44,492	\$ -	\$ 44,492
Retained earnings	\$ 783,156	\$ -	\$ 783,156
<u>January 1, 2014</u>			
Deferred tax assets	\$ 25,455	\$ -	\$ 25,455
Accrued pension liabilities	\$ 41,335	\$ -	\$ 41,335
Retained earnings	\$ 652,704	\$ -	\$ 652,704
<u>Impact on total comprehensive income for the year ended December 31, 2014</u>			
Operating expense	\$ (877,774)	\$ 81	\$ (877,693)
Income tax expense	(123,482)	(14)	(123,496)
Total effect on net profit for the year	<u>381,740</u>	<u>67</u>	<u>381,807</u>

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plan	\$ (3,307)	\$ (81)	\$ (3,388)
Income tax relating to items that will not be reclassified	<u>562</u>	<u>14</u>	<u>576</u>
Total effect on other comprehensive income for the year, net of income tax	<u>103,924</u>	<u>(67)</u>	<u>103,857</u>
Total effect on total comprehensive income for the year	<u>\$ 485,664</u>	<u>\$ -</u>	<u>\$ 485,664</u>
Net profit attributable to:			
Owners of the Company	\$ 382,186	\$ 67	\$ 382,253
Non-controlling interests	<u>(446)</u>	<u>-</u>	<u>(446)</u>
	<u>\$ 381,740</u>	<u>\$ 67</u>	<u>\$ 381,807</u>
Total comprehensive income attributable to:			
Owners of the Company	\$ 486,173	\$ -	\$ 486,173
Non-controlling interests	<u>(509)</u>	<u>-</u>	<u>(509)</u>
	<u>\$ 485,664</u>	<u>\$ -</u>	<u>\$ 485,664</u> (Concluded)

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

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, 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

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 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

(Concluded)

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, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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.

For the Group’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:

- a) 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;

- b) 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 instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group 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.

#### The impairment of financial assets

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, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. 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 Group 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.

#### 2) 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 Group 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.

#### 3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

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.

#### 4) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

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.

#### 5) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed by the FSC.

### b. Basis of preparation

The consolidated 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.

### 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 Group 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. Basis of consolidation

- 1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

2) Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		Remark
			2014	2013	
The Company	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company	100	100	
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding	100	100	
	Kwong Lung Japan Co., Ltd.	Manufacturing and selling of down and bedding	100	100	
	Bo Hsing Enterprise Co., Ltd.	Manufacturing and selling of apparel	100	100	
	Toptex Garment Co., Ltd.	Manufacturing and selling of apparel	100	100	
	Kwong Lung Vietnam Co., Ltd.	Manufacturing and selling of apparel	-	100	a)
	Nepheles Co., Ltd.	Manufacturing, exporting, importing and selling clothing	90	90	
Kwong Lung Feather (B.V.I.) Limited	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding	100	100	
Snowdown Merchandise (Suzhou) Co., Ltd.	Garland Sportswear Co., Ltd.	Manufacturing and selling of apparel	100	100	

a) The liquidation of Kwong Lung Vietnam Co., Ltd. was completed in November 2014.

3) Subsidiaries excluded from consolidated financial statements: None.

e. Foreign currencies

In preparing the 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.

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 consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used are 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 attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company 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 re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process, goods to subcontractor and merchandise 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.

As of January 1, 2014, the Company changed the accounting policy from the monthly weighted-average cost method to the moving-weighted-average cost method and retroactively restated the accompanying financial statements.

The impact in the current year is set out below:

	<b>December 31, 2014</b>
	<b>Adjustments Arising from the Change of Accounting Policy</b>
<b>Impact on Assets, Liabilities and Equity</b>	
Increase in inventories	<u>\$ 973</u>
Increase in retained earnings	<u>\$ 973</u>
	<b>For the Year Ended December 31, 2014</b>
	<b>Adjustments Arising from the Change of Accounting Policy</b>
<b>Impact on Total Comprehensive Income</b>	
Increase in operating cost	<u>\$ 1,208</u>
Decrease in net profit for the year	<u>\$ 1,208</u>
Decrease in total comprehensive income for the year	<u>\$ 1,208</u>

(Continued)

	<b>For the Year Ended December 31, 2014</b>
	<b>Adjustments Arising from the Change of Accounting Policy</b>
<b>Impact on Total Comprehensive Income</b>	
Decrease in net profit attributable to:	
Owners of the Company	\$ 1,208
Non-controlling interests	<u>-</u>
	<u>\$ 1,208</u>
Decrease in total comprehensive income attributable to:	
Owners of the Company	\$ 1,208
Non-controlling interests	<u>-</u>
	<u>\$ 1,208</u>
Impact on earnings per share	
Decrease in basic earnings per share	<u>\$0.01</u>
Decrease in diluted earnings per share	<u>\$0.01</u>
	(Concluded)

The impact in prior year is set out below:

<b>Impact on Assets, Liabilities and Equity</b>	<b>As Originally Stated</b>	<b>Adjustments Arising from the Change of Accounting Policy</b>	<b>Restated</b>
<u>December 31, 2013</u>			
Inventories	<u>\$ 2,210,337</u>	<u>\$ 2,181</u>	<u>\$ 2,212,518</u>
Retained earnings	<u>\$ 650,523</u>	<u>\$ 2,181</u>	<u>\$ 652,704</u>
<u>January 1, 2013</u>			
Inventories	<u>\$ 1,772,369</u>	<u>\$ 270</u>	<u>\$ 1,772,639</u>
Retained earnings	<u>\$ 484,059</u>	<u>\$ 270</u>	<u>\$ 484,329</u>

<b>For the Year Ended December 31, 2013</b>			
<b>Impact on Total Comprehensive Income</b>	<b>As Originally Stated</b>	<b>Adjustments Arising from the Change of Accounting Policy</b>	<b>Restated</b>
Operating cost	\$ (7,864,285)	\$ 1,911	\$ (7,862,374)
Total effect on net profit for the year	<u>361,015</u>	<u>1,911</u>	<u>362,926</u>
 Total effect on total comprehensive income for the year	 <u>\$ 420,524</u>	 <u>\$ 1,911</u>	 <u>\$ 422,435</u>
Impact on net profit attributable to:			
Owners of the Company	\$ 361,048	\$ 1,911	\$ 362,959
Non-controlling interests	<u>(33)</u>	<u>-</u>	<u>(33)</u>
	<u>\$ 361,015</u>	<u>\$ 1,911</u>	<u>\$ 362,926</u>
 Impact on total comprehensive income attributable to:			
Owners of the Company	\$ 420,569	\$ 1,911	\$ 422,480
Non-controlling interests	<u>(45)</u>	<u>-</u>	<u>(45)</u>
	<u>\$ 420,524</u>	<u>\$ 1,911</u>	<u>\$ 422,435</u>
 Impact on earnings per share			
Increase in basic earnings per share	<u>\$ 4.03</u>	<u>\$ 0.02</u>	<u>\$ 4.05</u>
Increase in diluted earnings per share	<u>\$ 3.91</u>	<u>\$ 0.02</u>	<u>\$ 3.93</u>

g. Investment in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a jointly controlled entity is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the jointly controlled entity. The Group also recognizes the changes in the Group's share of equity of jointly controlled entity attributable to the Group.

When the Group subscribes for additional new shares of the jointly controlled entity at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the jointly controlled entity. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of jointly controlled entity, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that jointly controlled entity 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 Group's share of losses of an jointly controlled entity equals or exceeds its interest in that jointly controlled entity (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 Group's net investment in the jointly controlled entity, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of a jointly controlled entity 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 Group'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.

The Group discontinues the use of the equity method from the date on which it ceases to have joint control. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

#### h. Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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, with the effect of any changes in estimate accounted for on a prospective basis.

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.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

2) Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, which are measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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.

k. 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.

1) Financial assets

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

a) Measurement category

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

i. 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. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

ii. 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 foreign currency exchange rates, interest income calculated using the effective interest method and 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 Group'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 and derivatives that are linked to and must be settled by delivery of such unquoted equity investments 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 carried 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 other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including trade receivables, notes receivable, cash, and other receivables) 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.

b) 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 carried at amortized cost, such as trade receivables, notes receivable and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, 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.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

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 carried 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 trade receivables, notes receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables, notes receivable and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group 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.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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 in and deducted directly from 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.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

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

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. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 28.

b) Derecognition of financial liabilities

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.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward 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.

## l. 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. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

### 1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group;  
and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

### 2) 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 Group 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 Group 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.

## m. 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.

### The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

## n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

o. 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. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailement or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

p. Employee share options

Employee share options granted to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, 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 consolidated 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 to the extent 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, and interests in joint ventures, except where the Group 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 extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets 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 Group 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group'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 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. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group 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.

b. 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.

c. Impairment of investment in the jointly controlled entity

The Group immediately recognizes impairment loss on its net investment in the jointly controlled entity when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Group's management evaluates the impairment based on the estimated future cash flow expected to be generated by the jointly controlled entity, including growth rate of sale and capacity of production facilities estimated by the jointly controlled entity's management. The Group also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

d. 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**

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Cash on hand	\$ 1,730	\$ 1,781
Checking accounts and demand deposits	<u>329,064</u>	<u>389,949</u>
	<u>\$ 330,794</u>	<u>\$ 391,730</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Bank balance	0.0001%-1.15%	0.0001%-2%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ <u>7,729</u>	\$ <u>42,423</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ <u>13,884</u>	\$ <u>-</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2014</u>			
Buy	NTD/EUR	2015.01.20-2015.05.08	NTD77,241/EUR2,000
Sell	USD/CNY	2015.01.22-2015.12.11	USD42,000/CNY262,517
Sell	JPY/NTD	2015.01.23-2015.06.30	JPY640,000/NTD175,857
<u>December 31, 2013</u>			
Buy	NTD/EUR	2014.02.12-2014.04.14	NTD117,824/EUR3,000
Sell	USD/CNY	2014.01.28-2014.12.31	USD30,000/CNY186,330
Sell	JPY/NTD	2014.01.27-2014.04.02	JPY570,000/NTD180,692

The Group entered into foreign exchange forward contracts during 2014 and 2013 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ <u>41,774</u>	\$ <u>34,986</u>

## 9. FINANCIAL ASSETS MEASURED AT COST

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Non-current</u>		
Domestic unlisted common shares	\$ <u>35,095</u>	\$ <u>35,095</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	\$ <u>35,095</u>	\$ <u>35,095</u>

Management believed that the above unlisted equity investments held by the Group, 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.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 126,304	\$ 115,573
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 126,304</u>	<u>\$ 115,573</u>
<u>Trade receivables</u>		
Trade receivables	\$ 625,223	\$ 567,803
Less: Allowance for impairment loss	<u>(4,611)</u>	<u>(5,561)</u>
	<u>\$ 620,612</u>	<u>\$ 562,242</u>
<u>Other receivables</u>		
Sale of raw materials	\$ 12,156	\$ 11,313
Tax refund receivable	70,860	44,119
Others	28,095	12,516
Less: Allowance for impairment loss	<u>(2)</u>	<u>(2)</u>
	<u>\$ 111,109</u>	<u>\$ 67,946</u>

### Notes Receivable, Trade Receivables and Other Receivables

The average credit period on sales of goods was 180 days. No interest was charged on notes receivable, trade receivables and other receivables for the first 180 days from the date of the invoice. In determining the recoverability of a trade receivables, the Group considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all overdue notes receivable and receivables past due beyond 365 days because historical experience had been that notes receivable that are overdue, and receivables that are past due beyond 365 days were not recoverable. Allowance for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables that were past due but not impaired was as follows:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Less than 30 days	\$ 37,363	\$ 35,166
31-60 days	217	3,858
61-120 days	6	334
More than 121 days	<u>627</u>	<u>599</u>
	<u>\$ 38,213</u>	<u>\$ 39,957</u>

The above aging schedule was based on the past due date.

The movements of the allowance for doubtful notes receivable, trade receivables and other receivables were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2013	\$ 1,218	\$ 4,207	\$ 5,425
Less: Impairment losses reversed	-	(20)	(20)
Foreign exchange translation gains and losses	<u>-</u>	<u>158</u>	<u>158</u>
Balance at December 31, 2013	<u>\$ 1,218</u>	<u>\$ 4,345</u>	<u>\$ 5,563</u>
Balance at January 1, 2014	\$ 1,218	4,345	5,563
Less: Impairment losses reversed	-	(1,084)	(1,084)
Foreign exchange translation gains and losses	<u>-</u>	<u>134</u>	<u>134</u>
Balance at December 31, 2014	<u>\$ 1,218</u>	<u>\$ 3,395</u>	<u>\$ 4,613</u>

The Group recognized impairment loss on trade receivables amounting to \$1,218 thousand as of December 31, 2014 and 2013, respectively. These amounts mainly related to customers that were in severe financial difficulties. The Group did not hold any collateral over the balances.

## 11. INVENTORIES

	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>January 1, 2013</b>
Merchandise	\$ 151,110	\$ 163,366	\$ 184,550
Finished goods	413,541	229,699	209,724
Work in progress	1,721,285	1,011,530	796,100
Raw materials and supplies	521,277	522,780	446,115
Goods to subcontractor	7,025	2,237	62,291
Inventory in transit	<u>257,034</u>	<u>282,906</u>	<u>73,859</u>
	<u>\$ 3,071,272</u>	<u>\$ 2,212,518</u>	<u>\$ 1,772,639</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 was \$7,640,678 thousand and \$7,862,374 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 included inventory write-downs of \$43,861 thousand and \$15,147 thousand.

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Investments in jointly controlled entities	<u>\$ 31,008</u>	<u>\$ 30,797</u>

At the end of the reporting period, the proportion of ownership and voting rights in jointly controlled entities held by the Group were 49%.

The summarized financial information in respect of the Group's interests in the jointly controlled entities is set out below:

	<b>(In VND Thousands)</b>	
	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Current assets	<u>\$ 11,615,704</u>	<u>\$ 17,096,554</u>
Non-current assets	<u>\$ 19,218,045</u>	<u>\$ 11,952,215</u>
Current liabilities	<u>\$ 9,150,108</u>	<u>\$ 6,569,495</u>
	<u>For the Year Ended December 31</u>	
	<u>2014</u>	<u>2013</u>
Income recognized in profit or loss	<u>\$ 39,865,846</u>	<u>\$ 32,294,112</u>
Expenses recognized in profit or loss	<u>\$ 37,525,478</u>	<u>\$ 30,316,543</u>
Other comprehensive income	<u>\$ -</u>	<u>\$ -</u>

## 13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Utilities Equipment	Transportation Equipment	Office Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>									
Balance at January 1, 2013	\$ 142,765	\$ 1,054,762	\$ 710,104	\$ 55,671	\$ 31,036	\$ 22,830	\$ 199,114	\$ 8,791	\$ 2,225,073
Additions	-	22,553	3,486	-	5,833	2,875	3,757	52,669	91,173
Disposals	-	(23,527)	(62,107)	-	(4,535)	(5,086)	(4,549)	-	(99,804)
Reclassification	-	23,098	7,023	-	2,185	-	7,847	(40,153)	-
Effect of foreign currency exchange differences	-	35,723	22,605	3,061	1,323	346	6,126	285	69,469
Balance at December 31, 2013	<u>\$ 142,765</u>	<u>\$ 1,112,609</u>	<u>\$ 681,111</u>	<u>\$ 58,732</u>	<u>\$ 35,842</u>	<u>\$ 20,965</u>	<u>\$ 212,295</u>	<u>\$ 21,592</u>	<u>\$ 2,285,911</u>

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Utilities Equipment	Transportation Equipment	Office Equipment	Other Equipment	Property in Construction	Total
<u>Accumulated depreciation</u>									
Balance at January 1, 2013	\$ -	\$ 351,513	\$ 507,278	\$ 42,959	\$ 18,370	\$ 13,957	\$ 121,572	\$ -	\$ 1,055,649
Disposals	-	(1,388)	(60,793)	-	(4,128)	(3,135)	(3,839)	-	(73,283)
Depreciation expense	-	43,324	51,546	1,594	3,732	3,619	24,418	-	128,233
Effect of foreign currency exchange differences	-	12,707	16,985	2,471	739	226	4,131	-	37,259
Balance at December 31, 2013	\$ -	\$ 406,156	\$ 515,016	\$ 47,024	\$ 18,713	\$ 14,667	\$ 146,282	\$ -	\$ 1,147,858
Carrying amounts at December 31, 2013	\$ 142,765	\$ 706,453	\$ 166,095	\$ 11,708	\$ 17,129	\$ 6,298	\$ 66,013	\$ 21,592	\$ 1,138,053
<u>Cost</u>									
Balance at January 1, 2014	\$ 142,765	\$ 1,112,609	\$ 681,111	\$ 58,732	\$ 35,842	\$ 20,965	\$ 212,295	\$ 21,592	\$ 2,285,911
Additions	-	5,211	17,043	670	4,605	414	15,663	58,896	102,502
Disposals	-	(18,524)	(71,756)	-	(3,258)	(3,902)	(7,717)	-	(105,157)
Reclassification	-	50,009	12,752	-	2,640	-	8,601	(74,002)	-
Effect of foreign currency exchange differences	-	39,614	26,155	1,773	1,702	653	3,943	327	74,167
Balance at December 31, 2014	\$ 142,765	\$ 1,188,919	\$ 665,305	\$ 61,175	\$ 41,531	\$ 18,130	\$ 232,785	\$ 6,813	\$ 2,357,423
<u>Accumulated depreciation</u>									
Balance at January 1, 2014	\$ -	\$ 406,156	\$ 515,016	\$ 47,024	\$ 18,713	\$ 14,667	\$ 146,282	\$ -	\$ 1,147,858
Disposals	-	(16,983)	(59,768)	-	(2,952)	(3,758)	(7,561)	-	(91,022)
Depreciation expense	-	47,223	52,581	1,651	4,863	2,123	23,904	-	132,345
Effect of foreign currency exchange differences	-	13,713	19,908	1,494	873	495	3,055	-	39,538
Balance at December 31, 2014	\$ -	\$ 450,109	\$ 527,737	\$ 50,169	\$ 21,497	\$ 13,527	\$ 165,680	\$ -	\$ 1,228,719
Carrying amounts at December 31, 2014	\$ 142,765	\$ 738,810	\$ 137,568	\$ 11,006	\$ 20,034	\$ 4,603	\$ 67,105	\$ 6,813	\$ 1,128,704

(Concluded)

No impairment assessment was performed for the years ended 2014 and 2013 as there was no indication of impairment.

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

Building	
Main buildings	3 to 51 years
Construction	2 to 26 years
Machinery equipment	2 to 20 years
Utilities equipment	2 to 23 years
Transportation equipment	4 to 15 years
Office equipment	2 to 15 years
Other equipment	
Air conditioning	36 to 51 years
Others	1 to 25 years
Building held under finance lease	1 to 7 years

Refer to Note 30 for the carrying amount of property, plant and equipment pledged by the group to secure borrowings granted to the Group.

#### 14. OTHER INTANGIBLE ASSETS

	Licenses	Cost of Computer Software	Total
<u>Cost</u>			
Balance at January 1, 2013	\$ 877	\$ 72,425	\$ 73,302
Additions	-	22,235	22,235
Effect of foreign currency exchange differences	<u>-</u>	<u>29</u>	<u>29</u>
Balance at December 31, 2013	<u>\$ 877</u>	<u>\$ 94,689</u>	<u>\$ 95,566</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2013	\$ (247)	\$ (18,893)	\$ (19,140)
Amortization expense	(87)	(14,942)	(15,029)
Effect of foreign currency exchange differences	<u>-</u>	<u>(11)</u>	<u>(11)</u>
Balance at December 31, 2013	<u>\$ (334)</u>	<u>\$ (33,846)</u>	<u>\$ (34,180)</u>
Carrying amounts at December 31, 2013	<u>\$ 543</u>	<u>\$ 60,843</u>	<u>\$ 61,386</u>
<u>Cost</u>			
Balance at January 1, 2014	\$ 877	\$ 94,689	\$ 95,566
Additions	-	6,881	6,881
Disposals	-	(387)	(387)
Effect of foreign currency exchange differences	<u>-</u>	<u>23</u>	<u>23</u>
Balance at December 31, 2014	<u>\$ 877</u>	<u>\$ 101,206</u>	<u>\$ 102,083</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2014	\$ (334)	\$ (33,846)	\$ (34,180)
Amortization expense	(87)	(18,543)	(18,630)
Disposals	-	387	387
Effect of foreign currency exchange differences	<u>-</u>	<u>(21)</u>	<u>(21)</u>
Balance at December 31, 2014	<u>\$ (421)</u>	<u>\$ (52,023)</u>	<u>\$ (52,444)</u>
Carrying amounts at January 1, 2014	<u>\$ 456</u>	<u>\$ 49,183</u>	<u>\$ 49,639</u>

The above items of other intangible assets were amortized on a straight-line basis at the following rates per annum:

Licenses	10 years
Cost of computer software	2-5 years

## 15. REPAYMENTS FOR LEASE OBLIGATIONS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Current asset	\$ 2,945	\$ 2,779
Non-current asset	<u>60,634</u>	<u>61,273</u>
	<u>\$ 63,579</u>	<u>\$ 64,052</u>

The prepaid lease payments include land use rights, which are located in Mainland China and Vietnam.

## 16. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Secured borrowings (Note 30)</u>		
Bank loans	\$ -	\$ 180,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>317,677</u>	<u>348,197</u>
	<u>\$ 317,677</u>	<u>\$ 528,197</u>

The range of interest rates on bank loans was 0.67%-6.44% and 0.79%-3.25% per annum as of December 31, 2014 and 2013, respectively.

### b. Long-term borrowings

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Secured borrowings (Note 30)</u>		
Bank loans*	\$ 182,000	\$ 240,800
<u>Unsecured borrowings</u>		
Credit borrowings	<u>669,088</u>	<u>817,438</u>
	851,088	1,058,238
Less: Current portion	<u>(275,876)</u>	<u>(246,256)</u>
Long-term borrowings	<u>\$ 575,212</u>	<u>\$ 811,982</u>

\* As of December 31, 2014 and 2013, the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land and building (refer to Note 30) was 1.59%-1.85% per annum and 1.02%-1.85% per annum, respectively.

## 17. NOTES PAYABLE AND TRADE PAYABLES

### a. Notes payable

As of December 31, 2014 and 2013, notes used for refundable deposits for the line of bank borrowing and the purchase of raw materials were \$957,321 thousand and \$968,300 thousand, respectively.

### b. Trade payables

The average credit period on purchases of raw materials is 30-90 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 18. OTHER PAYABLES

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Accrued payroll	\$ 167,758	\$ 181,394
Accrued fabrication expense	35,159	14,514
Accrued employee benefit	25,580	23,530
Directors' remuneration payable	15,000	8,000
Others	<u>73,657</u>	<u>92,063</u>
	<u>\$ 317,154</u>	<u>\$ 319,501</u>

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company of the Group 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.

The employees of the Group's subsidiary are members of a state-managed retirement benefit plan operated by the government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

The Company of the Group 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 contributes amounts equal to 3.18% and 3.41% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee in 2014 and 2013, respectively. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution 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 qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Discount rates	2.00%	2.00%
Expected return on plan assets	1.75%	1.75%
Expected rates of salary increase	3.00%	3.00%

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:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Current service cost	\$ 1,143	\$ 1,954
Interest cost	1,451	1,498
Expected return on plan assets	<u>(565)</u>	<u>(987)</u>
	<u>\$ 2,029</u>	<u>\$ 2,465</u>
<b>An analysis by function</b>		
Operating cost	\$ 364	\$ 379
Marketing expenses	926	1,165
Administration expenses	254	621
Research and development expenses	<u>485</u>	<u>300</u>
	<u>\$ 2,029</u>	<u>\$ 2,465</u>

Actuarial loss recognized in other comprehensive income for the years ended December 31, 2014 and 2013 was \$2,745 thousand and \$1,416 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2014 and 2013 was \$3,162 thousand and \$417 thousand, respectively.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans was as follows:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Present value of funded defined benefit obligation	\$ 78,811	\$ 72,657
Fair value of plan assets	<u>(34,319)</u>	<u>(31,322)</u>
Net liability arising from defined benefit obligation	<u>\$ 44,492</u>	<u>\$ 41,335</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Opening defined benefit obligation	\$ 72,657	\$ 100,239
Current service cost	1,143	1,954
Interest cost	1,451	1,498
Actuarial losses	3,707	1,358
Benefits paid - expense recognized	(147)	(6,400)
Benefits paid - plan asset	<u>-</u>	<u>(25,992)</u>
Closing defined benefit obligation	<u>\$ 78,811</u>	<u>\$ 72,657</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Opening fair value of plan assets	\$ 31,322	\$ 54,282
Expected return on plan assets	565	987
Actuarial (losses)/gains	400	(348)
Contributions from the employer	2,032	2,393
Benefits paid - plan asset	<u>-</u>	<u>(25,992)</u>
Closing fair value of plan assets	<u>\$ 34,319</u>	<u>\$ 31,322</u>

For the years ended December 31, 2014 and 2013, the actual returns of plan assets were \$965 thousand and \$639 thousand, respectively.

The major categories of plan assets at the end of the reporting period were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Cash	19	23
Short-term bills	2	4
Bonds	12	9
Stock and investment of beneficiary certificates (including futures)	13	9
Foreign investment	36	34
Others	<u>18</u>	<u>21</u>
	<u>100</u>	<u>100</u>

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012):

	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Present value of defined benefit obligation	<u>\$ (78,811)</u>	<u>\$ (72,657)</u>	<u>\$ (100,239)</u>	<u>\$ (119,904)</u>
Fair value of plan assets	<u>\$ 34,319</u>	<u>\$ 31,322</u>	<u>\$ 54,282</u>	<u>\$ 70,724</u>

(Continued)

	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Deficit	\$ (44,492)	\$ (41,335)	\$ (45,957)	\$ (49,180)
Experience adjustments on plan liabilities	\$ (3,353)	\$ (5,732)	\$ 6,767	\$ _____
Experience adjustments on plan assets	\$ 400	\$ (348)	\$ (872)	\$ _____
				(Concluded)

The Group expects to make a contribution of \$2,121 thousand and has contributed \$2,400 thousand to the defined benefit plan for the years ended December 31, 2014 and 2013, respectively.

## 20. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Numbers of shares authorized (in thousands)	<u>160,000</u>	<u>110,000</u>
Shares authorized	<u>\$ 1,600,000</u>	<u>\$ 1,100,000</u>
Number of shares issued and fully paid (in thousands)	<u>104,667</u>	<u>89,667</u>
Shares issued	<u>\$ 1,046,670</u>	<u>\$ 896,670</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On June 17, 2014, the Company's board of directors resolved to issue 15,000 thousand ordinary shares, with a par value of NT\$10 each, for consideration of NT\$43.5 per share, which increased the share capital issued and fully paid to \$1,046,670 thousand. On July 7, 2014, the above transaction was approved by the FSC, and the board of directors determined the subscription base date as August 11, 2014.

### b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares and treasury share transactions) 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).

The capital surplus arising from employee share options may not be used for any purpose.

### c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that 10% of the annual net income (less any deficit) should be appropriated as legal reserve. A special reserve should be provided in accordance with relevant regulations, and the appropriations of the remainder should be resolved by the board of directors and then submitted in the shareholders' meeting for approval. These appropriations should include more than 20% as cash dividends, more than 1% as employees' bonus and less than 5% as remuneration to directors and supervisors.



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 20, 2013 and the amounts recognized in the financial statements for the years ended December 31, 2013 and 2012, respectively.

The appropriations of earnings for 2014 had been proposed by the Company's board of directors on March 20, 2015. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 38,219	
Cash dividends	314,001	\$3

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2014 are subject to the resolution of the shareholders' meeting to be held on June 9, 2015.

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

d. Special reserves appropriated following first-time adoption of IFRSs

The Company had a decrease in retained earnings that resulted from all IFRSs adjustments; therefore, no special reserve was appropriated.

e. Non-controlling interests

	<b><u>For the Year Ended December 31</u></b>	
	<b>2014</b>	<b>2013</b>
Balance at January 1	\$ 1,387	\$ -
Non-controlling interest arising from acquisition of subsidiaries	-	1,432
Attributable to non-controlling interests:		
Share of loss for the year	(446)	(33)
Exchange difference arising on translation of foreign entities	<u>(63)</u>	<u>(12)</u>
	<u>\$ 878</u>	<u>\$ 1,387</u>

## 21. NET PROFIT FROM CONTINUING OPERATIONS

a. Net profit from continuing operating

1) Other income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2014</b>	<b>2013</b>
Interest income		
Bank deposits	\$ 4,330	\$ 1,717
Dividends	1,891	1,891
Government grant	<u>8,109</u>	<u>1,695</u>
	<u>\$ 14,330</u>	<u>\$ 5,303</u>

2) Other gains and losses

	<b><u>For the Year Ended December 31</u></b>	
	<b>2014</b>	<b>2013</b>
Net foreign exchange gains/(losses)	\$ 44,614	\$ (56,746)
Net gain/(loss) arising on financial assets designated as at FVTPL	(6,155)	42,346
Gain/(loss) on disposal of financial instrument designated as at FVTPL	(4,582)	58,428
Others	<u>7,565</u>	<u>20,324</u>
	<u>\$ 41,442</u>	<u>\$ 64,352</u>

3) Finance costs

	<b><u>For the Year Ended December 31</u></b>	
	<b>2014</b>	<b>2013</b>
Interest on bank loans	<u>\$ 43,306</u>	<u>\$ 39,421</u>

4) Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2014</b>	<b>2013</b>
Property, plant and equipment	\$ 132,345	\$ 128,233
Intangible assets (included in operating expense)	<u>18,630</u>	<u>15,029</u>
	<u>\$ 150,975</u>	<u>\$ 143,262</u>
An analysis of depreciation by function		
Operating costs	\$ 93,465	\$ 90,941
Operating expenses	<u>38,880</u>	<u>37,292</u>
	<u>\$ 132,345</u>	<u>\$ 128,233</u>

5) Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2014</b>	<b>2013</b>
Post-employment benefits (Note 19)		
Defined contribution plans	\$ 20,477	\$ 24,905
Defined benefit plans	<u>2,029</u>	<u>2,465</u>
	<u>22,506</u>	<u>27,370</u>
Share-based payments		
Equity-settled share-based payments (Note 24)	<u>39,517</u>	<u>7,134</u>
Other employee benefits	<u>916,316</u>	<u>975,461</u>
Total employee benefits expense	<u>\$ 978,339</u>	<u>\$ 1,009,965</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 559,445	\$ 620,258
Operating expenses	<u>418,894</u>	<u>389,707</u>
	<u>\$ 978,339</u>	<u>\$ 1,009,965</u>

6) Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Foreign exchange gains	\$ 173,823	\$ 209,493
Foreign exchange losses	<u>(129,209)</u>	<u>(266,239)</u>
	<u>\$ 44,614</u>	<u>\$ (56,746)</u>

7) Impairment losses on non-financial assets

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Inventories (included in operating costs)	<u>\$ 43,861</u>	<u>\$ 15,147</u>

## 22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Current tax		
In respect of the current year	\$ 101,628	\$ 87,297
Income tax expense of unappropriated earnings	11,255	1,280
Adjustments for prior periods	<u>4,930</u>	<u>(4,075)</u>
	117,813	84,502
Deferred tax		
In respect of the current year	<u>5,669</u>	<u>23,578</u>
Income tax expense recognized in profit or loss	<u>\$ 123,482</u>	<u>\$ 108,080</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Profit before tax from continuing operations	<u>\$ 505,222</u>	<u>\$ 471,006</u>
Income tax expense calculated at the statutory rate (17%)	\$ 85,888	\$ 80,071
Nondeductible expenses in determining taxable income	5,255	(353)
Deferred tax on undistributed earnings from subsidiary	31,872	35,415
Tax-exempt income	(322)	(322)
Additional income tax on unappropriated earnings	11,255	1,280
Unrecognized deductible temporary differences	(28,300)	-
Effect of different tax rate of group entities operating in other jurisdictions	12,904	(3,611)
Adjustments for prior years' tax	4,930	(4,075)
Others	<u>-</u>	<u>(325)</u>
Income tax expense recognized in profit or loss	<u>\$ 123,482</u>	<u>\$ 108,080</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
<u>Deferred tax</u>		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	\$ <u>562</u>	\$ <u>290</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Current tax liabilities		
Income tax payable	\$ <u>54,844</u>	\$ <u>60,142</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2014

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Foreign exchange losses	\$ 6,204	\$ (4,703)	\$ -	\$ 1,501
Write-down of inventories	6,206	(1,525)	-	4,681
Unrealized intercompany gain	963	521	-	1,484
FVTPL financial liabilities	-	2,360	-	2,360
Defined benefit obligation	8,082	(1,111)	562	7,533
Accrued employee benefit	<u>4,000</u>	<u>349</u>	<u>-</u>	<u>4,349</u>
	<u>\$ 25,455</u>	<u>\$ (4,109)</u>	<u>\$ 562</u>	<u>\$ 21,908</u>
				(Continued)

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign exchange gains	\$ (2,187)	\$ (2,040)	\$ -	\$ (4,227)
FVTPL financial assets	(6,286)	4,972	-	(1,314)
Allowance for impaired receivables	(141)	-	-	(141)
Unappropriated earnings of subsidiaries	<u>(89,389)</u>	<u>(4,492)</u>	<u>-</u>	<u>(93,881)</u>
	<u>\$ (98,003)</u>	<u>\$ (1,560)</u>	<u>\$ -</u>	<u>\$ (99,563)</u> (Concluded)

For the year ended December 31, 2013

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Write-down of inventories	\$ 8,493	\$ (2,287)	\$ -	\$ 6,206
Foreign exchange losses	8,128	(1,924)	-	6,204
Unrealized intercompany gain	1,223	(260)	-	963
Defined benefit obligation	7,742	50	290	8,082
Accrued employee benefit	<u>4,022</u>	<u>(22)</u>	<u>-</u>	<u>4,000</u>
	29,608	(4,443)	290	25,455
Loss carryforward	<u>5,080</u>	<u>(5,080)</u>	<u>-</u>	<u>-</u>
	<u>\$ 34,688</u>	<u>\$ (9,523)</u>	<u>\$ 290</u>	<u>\$ 25,455</u>

Deferred tax liabilities

Temporary differences				
Foreign exchange gains	\$ (3,893)	\$ 1,706	\$ -	\$ (2,187)
FVTPL financial assets	(10,996)	4,710	-	(6,286)
Allowance for impaired receivables	(141)	-	-	(141)
Unappropriated earnings of subsidiaries	<u>(68,918)</u>	<u>(20,471)</u>	<u>-</u>	<u>(89,389)</u>
	<u>\$ (83,948)</u>	<u>\$ (14,055)</u>	<u>\$ -</u>	<u>\$ (98,003)</u>

- e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2014	2013
Deductible temporary differences	<u>\$ 54,737</u>	<u>\$ 57,173</u>

- f. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2014 and 2013, the taxable temporary differences associated with investment in subsidiaries and branch for which no deferred tax liabilities have been recognized were \$28,300 thousand and zero, respectively.

- g. Integrated income tax

	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>January 1, 2013</b>
Unappropriated earnings			
Generated before January 1, 1998	\$ -	\$ -	\$ -
Generated on and after January 1, 1998	<u>783,156</u>	<u>652,704</u>	<u>484,329</u>
	<u>\$ 783,156</u>	<u>\$ 652,704</u>	<u>\$ 484,329</u>
Imputation credit accounts	<u>\$ 79,480</u>	<u>\$ 43,734</u>	
		<b><u>For the Year Ended December 31</u></b>	
		<b>2014</b>	<b>2013</b>
		<b>(Expected)</b>	<b>(Actual)</b>
Creditable ratio for distribution of earning		15.36%	15.10%

- h. Income tax assessments

The tax returns through 2012 have been assessed by the tax authorities.

## 23. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2014	2013
Profit for the period attributable to owners of the Company	<u>\$ 382,186</u>	<u>\$ 362,959</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Weighted average number of ordinary shares in computation of basic earnings per share	95,503	89,623
Effect of potentially dilutive ordinary shares:		
Employee share option	2,649	1,786
Bonus issue to employees	<u>1,493</u>	<u>1,012</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>99,645</u>	<u>92,421</u>

If the Group offered to settle bonuses paid to employees in cash or shares, the Group assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were 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.

## 24. SHARE-BASED PAYMENT ARRANGEMENTS

### a. Employee share option plan of the Company

- 1) Qualified employees of the Company and its subsidiaries were granted 7,407 options in December 2003 and 3,000 options in September 2007. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 10 years and 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the GreTai Securities Market on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	<b>2013</b>			
	<b>Granted 2003</b>		<b>Granted 2007</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	357	\$6.36	30	\$6.56
Options exercised	(57)	6.36	(30)	6.56
Options expired	<u>(300)</u>	6.36	<u>-</u>	-
Balance at December 31	<u>-</u>	-	<u>-</u>	-

- 2) Qualified employees of the Company and its subsidiaries were granted 6,000 options in June 2013. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the GreTai Securities Market on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	2014		2013	
	Granted 2014	Weighted-average	Granted 2013	Weighted-average
	Number of Options (In Thousands)	Exercise Price (NT\$)	Number of Options (In Thousands)	Exercise Price (NT\$)
Balance at January 1	-	\$ -	5,197	\$20.5
Options granted	515	48.0	-	-
Options forfeited	<u>(43)</u>	44.8	<u>(208)</u>	19.4
Balance at December 31	<u>472</u>	44.8	<u>4,989</u>	19.4
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 15.05</u>		<u>\$ -</u>	

Information on outstanding options as of December 31, 2014 was as follows:

	<b>December 31, 2014</b>
Range of exercise price (NT\$)	\$19.4-\$44.8
Weighted-average remaining contractual life (years)	4.47-5.22

Options granted in March 2014 and June 2013 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<b>March 2014</b>	<b>June 2013</b>
Grant-date share price (\$)	\$48	\$21.3
Exercise price (\$)	\$48	\$21.3
Expected volatility	37.04%	36.55%
Expected life (years)	4.25 years	4.25 years
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	1.07%	0.99%

Expected volatility was based on the historical share price volatility.

- 3) Qualified employees of the Company and its subsidiaries were granted 3,926 options in April 2014. Each option entitles the holder to subscribe for one thousand common shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the highest closing price of the Company's common shares listed on the GreTai Securities Market on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

A total of 2,971 options have been granted as of December 31, 2014.

	<b>2014</b>	
	<b>Granted 2014</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	-	\$ -
Options granted	2,971	53.8
Options forfeited	<u>(129)</u>	49.5
Balance at December 31	<u>2,842</u>	49.5
Options exercisable, end of period	<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 17.14</u>	

Information on outstanding options as of December 31, 2014 was as follows:

	<b>December 31, 2014</b>
Range of exercise price (NT\$)	\$49.5
Weighted-average remaining contractual life (years)	5.28

Options granted in April 2014 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<b>July 2014</b>
Grant-date share price (\$)	\$53.8
Exercise price (\$)	\$53.8
Expected volatility	37.11%
Expected life (years)	4.38 years
Expected dividend yield	0.00%
Risk-free interest rate	1.09%

Expected volatility was based on the historical share price volatility.

Compensation cost recognized was \$28,063 thousand and \$7,134 thousand for years ended December 31, 2014 and 2013, respectively.

- b. The common shares issued for cash and reserved for employee stock option

On June 17, 2014, the board of directors of the Company has resolved to issue new shares, and ten percent portion of such new shares was reserved for subscription by employees in accordance with the Company Act. The life of the option is 0.06 years.

	<b>2014</b>	
	<b>Granted 2014</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	-	\$ -
Options granted	1,500	43.5
Options forfeited	(362)	43.5
Options exercised	<u>(1,138)</u>	43.5
Balance at December 31	<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 10.07</u>	

Information on outstanding options as of December 31, 2014 was as follows:

	<b>December 31, 2014</b>
Range of exercise price (NT\$)	\$43.5
Weighted-average remaining contractual life (years)	-

Options granted in July 2014 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<b>July 2014</b>
Exercise price (\$)	\$43.5
Grant-date share price (\$)	\$53.5
Expected volatility	44.87%
Risk-free interest rate	0.43%
Expected dividend yield	0.00%

Compensation cost recognized was \$11,454 thousand for the year ended December 31, 2014.

## **25. DISPOSAL OF SUBSIDIARIES**

In March 2013, the board of directors resolved to dissolve and liquidate Kwong Lung Vietnam Co., Ltd. The liquidation was completed in November 2014.

## **26. OPERATING LEASE ARRANGEMENTS**

### **The Group as Lessee**

Operating leases relate to leases of office and machinery equipment. The Group does not have a bargain purchase option to acquire the leased office and machinery equipment at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments in Taiwan and Japan, respectively, were as follows:

	<b>(In Thousands of NT\$)</b>	
	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Not later than 1 year	\$ 10,835	\$ 6,267
Later than 1 year and not later than 5 years	<u>23,013</u>	<u>14,391</u>
	<u>\$ 33,848</u>	<u>\$ 20,658</u>

	<b>(In Thousands of JPY)</b>	
	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Not later than 1 year	\$ 14,238	\$ 16,855
Later than 1 year and not later than 5 years	<u>-</u>	<u>14,238</u>
	<u>\$ 14,238</u>	<u>\$ 31,093</u>

## 27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged since 2012.

The capital structure of the Group consists of net debt (borrowings offset by cash) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

## 28. 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 recognized in the consolidated financial statements approximate their fair values.

#### 2) Fair value measurements recognized in the consolidated 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 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative financial assets	\$ <u>          -</u>	\$ <u>  7,729</u>	\$ <u>          -</u>	\$ <u>  7,729</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ <u> 41,774</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u> 41,774</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ <u>          -</u>	\$ <u> 13,884</u>	\$ <u>          -</u>	\$ <u> 13,884</u>

December 31, 2013

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative financial assets	\$ <u>          -</u>	\$ <u> 42,423</u>	\$ <u>          -</u>	\$ <u> 42,423</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ <u> 34,986</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u> 34,986</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

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

The fair values of financial assets and financial liabilities were determined as follows:

- a) The fair values 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;
- b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

- c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 7,729	\$ 42,423
Loans and receivables (1)	1,099,919	1,085,701
Available-for-sale financial assets (2)	76,869	70,081
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	13,884	-
Amortized cost (3)	2,220,533	2,315,913

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash, notes receivable, trade receivables and other receivables.
- 2) The balances included the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances included financial liabilities measured at amortized cost, which comprise notes payable, short-term and long-term loans, trade payables and other payables.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivable, other receivables, trade payables, other payables and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below). The Group entered into forward foreign exchange contracts to manage its exposure to foreign currency risk.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to the USD, CNY, JPY and EUR.

The following table details the Group's sensitivity to a 3% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 3% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts which were not designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars weakening by 3% against the relevant currency. For a 3% strengthening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<b>USD Impact</b>		<b>JPY Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Profit or loss*	\$ (27,167)	\$ (18,521)	\$ (737)	\$ 4,884

  

	<b>CNY Impact</b>		<b>EUR Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Profit or loss*	\$ 9,263	\$ -	\$ (230)	\$ (615)

\* This was mainly attributable to the exposure on outstanding foreign currency cash, trade receivables, other receivables, borrowings, accounts payable, and other payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

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

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>
Fair value interest rate risk		
Financial assets	\$ -	\$ -
Financial liabilities	906,886	705,377
Cash flow interest rate risk		
Financial assets	299,599	343,894
Financial liabilities	261,879	836,058

#### Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For 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 year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2014 and 2013 would increase/decrease by \$189 thousand and decrease/increase by \$2,461 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

#### c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. The Group does not actively trade these investments. The Group's equity price risk was mainly concentrated on equity instruments operating in the ROC.

#### 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 prices had been 10% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2014 and 2013 would increase/decrease by \$4,177 thousand and \$3,499 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

#### 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Group did transactions with a large number of unrelated customers and thus, no concentration of credit risk was observed.

The Group did not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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 Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2014 and 2013, the Group had available unutilized bank loan facilities in the amounts of \$5,903,292 thousand and \$5,106,441 thousand, respectively.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2014

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 988,978	\$ 31,281	\$ 31,508	\$ -
Variable interest rate liabilities	5,355	6,289	83,975	175,305
Fixed interest rate liabilities	<u>125,008</u>	<u>96,149</u>	<u>296,398</u>	<u>407,409</u>
	<u>\$ 1,119,341</u>	<u>\$ 133,719</u>	<u>\$ 411,881</u>	<u>\$ 582,714</u>

December 31, 2013

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 473,355	\$ 181,754	\$ 73,762	\$ -
Variable interest rate liabilities	27,642	19,085	431,982	378,514
Fixed interest rate liabilities	<u>65,562</u>	<u>36,844</u>	<u>215,385</u>	<u>452,287</u>
	<u>\$ 566,559</u>	<u>\$ 237,683</u>	<u>\$ 721,129</u>	<u>\$ 830,801</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and 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 risk rate tables for derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2014

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Net settled</u>			
Foreign exchange - inflows forward contracts	<u>\$ 1,947</u>	<u>\$ 5,989</u>	<u>\$ 26,380</u>

December 31, 2013

<u>Net settled</u>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
Foreign exchange - inflows forward contracts	<u>\$ 6,431</u>	<u>\$ 17,019</u>	<u>\$ 16,194</u>

## 29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Manufacturing overhead

	<b><u>For the Year Ended December 31</u></b>	
	<b>2014</b>	<b>2013</b>
Joint ventures	<u>\$ 110,776</u>	<u>\$ 91,273</u>

b. Payables to related parties

	<b><u>December 31</u></b>	
	<b>2014</b>	<b>2013</b>
Joint ventures	<u>\$ 18,979</u>	<u>\$ 11,020</u>

The outstanding trade payables to related parties are unsecured.

c. Property, plant and equipment acquired

	<b><u>Price</u></b>	
<b>Related Party Categories</b>	<b><u>For the Year Ended December 31</u></b>	
	<b>2014</b>	<b>2013</b>
Others (Note)	<u>\$ 993</u>	<u>\$ -</u>

Note: It is a related party in substance. The chairman of the related party and the legal representative of the Company is the same person, and the major shareholder of the related party and the legal person director of the Company is the same person.

d. Compensation of key management personnel

	<b><u>For the Year Ended December 31</u></b>	
	<b>2014</b>	<b>2013</b>
Short-term employee benefits	\$ 46,852	\$ 38,758
Post-employment benefits	601	376
Share-based payments	<u>4,201</u>	<u>1,746</u>
	<u>\$ 51,654</u>	<u>\$ 40,880</u>

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

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and usance Letters of Credit:

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 140,441	\$ 140,441
Buildings	<u>80,665</u>	<u>85,856</u>
	<u>\$ 221,106</u>	<u>\$ 226,297</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2014 and 2013 were as follows:

#### Significant Commitments

- a. As of December 31, 2014 and 2013, unused letters of credit for purchases of raw materials, machinery and equipment amounted to approximately US\$2,485 thousand and US\$1,309 thousand and EUR576 thousand and EUR676 thousand, respectively.
- b. As of December 31, 2014 and 2013, commitment for purchases of machinery and equipment amounted to approximately NT\$145,651 thousand and zero, respectively.
- c. As of December 31, 2014 and 2013, guarantees issued by financial institutions for purchases of raw materials and development of technology plan amounted to NT\$27,000 thousand and NT\$15,000 thousand, respectively.

### 32. SIGNIFICANT EVENT AFTER REPORTING PERIOD

The board of directors passed a resolution to set up a new joint venture on January 23, 2015. The Company expects to invest NT\$15,000 thousand.

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

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

December 31, 2014

<u>Financial assets</u>	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
Monetary items			
USD	\$ 29,879	31.65 (USD:NTD)	\$ 945,684
USD	11,903	6.2156 (USD:CNY)	376,740
USD	5,816	23,133 (USD:VND)	184,070

(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
JPY	\$ 553,619	0.2646 (JPY:NTD)	\$ 146,487
VND	9,444,061	0.000045 (VND:USD)	13,505
CNY	60,636	5.092 (CNY:NTD)	308,758
Non-monetary items			
VND	21,683,641	0.00143 (VND:NTD)	31,008

#### Financial liabilities

Monetary items			
USD	23,252	31.65 (USD:NTD)	735,933
USD	4,195	6.2156 (USD:CNY)	132,764
USD	6,674	23,133 (USD:VND)	211,221
EUR	2,196	38.47 (EUR:NTD)	84,492
VND	34,610,376	0.000045 (VND:USD)	49,493
			(Concluded)

#### December 31, 2013

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 33,064	29.805 (USD:NTD)	\$ 985,473
USD	8,519	6.0592 (USD:CNY)	253,905
USD	5,521	21,775 (USD:VND)	164,549
JPY	1,144,593	0.2839 (JPY:NTD)	324,950
VND	14,101,856	0.000046 (VND:USD)	19,320
Non-monetary items			
VND	29,048,768	0.00137 (VND:NTD)	30,797

#### Financial liabilities

Monetary items			
USD	23,716	29.805 (USD:NTD)	706,859
USD	6,543	6.0592 (USD:CNY)	195,004
USD	7,343	21,775 (USD:VND)	218,870
EUR	3,511	41.09 (EUR:NTD)	144,250
VND	49,319,354	0.000046 (VND:USD)	67,568

### **34. SEGMENT INFORMATION**

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Apparel department - manufacturing, developing, designing and selling of apparel.

Down material department - manufacturing, developing and selling of down.

Home textile department - manufacturing, developing, designing and selling of bedding.

OBM department - channel managing and marketing of private bedding brand.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	<b>Segment Revenue</b>		<b>Segment Profit</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Apparel department	\$ 2,677,080	\$ 2,378,139	\$ 94,695	\$ (4,529)
Down material department	4,288,960	4,622,850	267,356	272,849
Home textile department	2,258,793	2,393,379	164,002	211,872
OBM department	180,506	167,919	(36,333)	(42,121)
Segment revenues	9,405,339	9,562,287	489,720	438,071
Eliminations	(397,167)	(468,914)	-	-
Segment revenue or segment income	<u>\$ 9,008,172</u>	<u>\$ 9,093,373</u>	489,720	438,071
Other income			14,330	5,303
Other gains and losses			41,442	64,352
Finance costs			(43,306)	(39,421)
Share of profit or loss of associates and joint ventures			3,036	2,701
Profit before tax (continuing operations)			<u>\$ 505,222</u>	<u>\$ 471,006</u>

Segment profit represented the profit before tax earned by each segment without allocation of share of profit or loss of associates and joint ventures, other income, other gains and losses, and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets

	<b>December 31, 2014</b>	<b>December 31, 2013</b>	<b>January 1, 2013</b>
<u>Segment assets</u>			
Continuing operations			
Apparel department	\$ 990,613	\$ 934,578	\$ 772,147
Down material department	2,766,157	2,163,607	1,928,825
Home textile department	783,873	757,312	784,421
OBM department	171,856	105,695	135,306
Total segment assets	4,712,499	3,961,192	3,620,699
Other assets	234,393	215,910	314,965
Consolidated total assets	<u>\$ 4,946,892</u>	<u>\$ 4,177,102</u>	<u>\$ 3,935,664</u>

c. Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products.

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Apparel products	\$ 2,675,727	\$ 2,377,781
Down material products	3,971,110	4,182,191
Home textile products	2,182,526	2,372,893
OBM products	<u>178,809</u>	<u>160,508</u>
	<u>\$ 9,008,172</u>	<u>\$ 9,093,373</u>

d. Geographical information

The Group operates in four principal geographical areas - Taiwan, China, Vietnam and Japan.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from</b>		<b>Non-current Assets</b>	
	<b>External Customers</b>		<b>December 31</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
USA	\$ 2,135,049	\$ 1,824,112	\$ -	\$ -
Taiwan	757,654	760,024	339,223	352,641
China	1,175,160	1,527,536	402,405	434,926
Vietnam	476,732	159,910	495,205	463,873
Japan	3,307,076	3,744,292	8,750	9,272
Others	<u>1,156,501</u>	<u>1,077,499</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,008,172</u>	<u>\$ 9,093,373</u>	<u>\$ 1,245,583</u>	<u>\$ 1,260,712</u>

Non-current assets exclude non-current assets classified as financial instruments and deferred tax assets.

e. Information on major customers

Single customers contributed 10% or more to the Group's revenue were as follows:

<b>Customer</b>	<b>For the Year Ended December 31</b>			
	<b>2014</b>		<b>2013</b>	
	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
A	\$ 1,530,252	17	\$ 1,568,774	17

A: Sale of finish goods of down material department.