Wah Lee Industrial Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Wah Lee Industrial Corporation

We have audited the accompanying consolidated balance sheets of Wah Lee Industrial Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and 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 Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of subsidiary Wah Lee Tech (Singapore) Pte., Ltd., and certain investee companies which were the bases for the reported investments under equity method. Such financial statements were audited by other auditors whose reports have been furnished to us. Accordingly, our opinion insofar as it relates to the financial data of those investee companies as included in the accompanying financial statements is solely based on the other auditors' reports. The financial statements of Wah Lee Tech (Singapore) Pte., Ltd. reflected total assets of NT$606,543 thousand and NT$518,797 thousand, both representing 2% of total consolidated assets, as of December 31, 2014 and 2013, respectively; and reflected total operating revenues of NT$967,821 thousand and NT$842,717 thousand, both representing 2% of total consolidated operating revenues, for the years ended December 31, 2014 and 2013, respectively. The carrying value of the investments accounted for using equity method was NT$708,610 thousand and NT$669,976 thousand, both representing 3% of total consolidated assets, as of December 31, 2014 and 2013, respectively; and the share of profit of associates recognized under equity method was NT$77,273 thousand and NT$68,570 thousand, both representing 4% of consolidated profit before income tax, for the years ended December 31, 2014 and 2013, respectively.

We conducted our audits in accordance with the Rules Governing the Audit 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 other auditors' reports provide a reasonable basis for our opinion.

In our opinion, based on our audits and the other auditors' reports, 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 and 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.

March 25, 2015

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

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.

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2014		December 31, 2013	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,486,882	9	$ 2,984,593	13
Available-for-sale financial assets - current (Notes 4 and 8)	242,795	1	354,353	2
Notes receivable (Notes 4, 9, 28 and 29)	1,468,807	6	1,009,772	5
Accounts receivable, net (Notes 4, 5 and 9)	9,592,901	36	8,402,465	36
Accounts receivable - related parties (Notes 4, 5, 9 and 28)	86,071	-	60,485	-
Other receivables	31,038	-	37,905	-
Other receivables - related parties (Note 28)	3,552	-	2,949	-
Current tax assets (Notes 4 and 23)	-	-	1,382	-
Inventories (Notes 4,5 and 10)	3,567,309	14	3,081,312	13
Prepayment and others	422,061	2	205,557	1
Other financial assets - current (Notes 4 and 11)	1,305,206	5	932,945	4
Total current assets	19,206,622	73	17,073,718	74
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 8)	533,400	2	245,325	1
Investments accounted for using equity method (Notes 4 and 12)	4,300,428	16	4,007,683	17
Property, plant and equipment (Notes 4, 5, 13 and 29)	1,800,118	7	1,344,208	6
Goodwill (Note 4)	32,810	-	31,654	-
Computer software (Note 4)	18,616	-	29,233	-
Deferred tax assets (Notes 4 and 23)	162,115	1	152,209	1
Prepayments for equipment (Note 30)	112,225	1	128,754	1
Refundable deposits (Note 25)	108,243	-	86,714	-
Prepayments for investments	3,000	-	-	-
Other noncurrent assets (Note 29)	31,113	-	27,527	-
Total noncurrent assets	7,102,068	27	6,053,307	26
TOTAL	$ 26,308,690	100	$ 23,127,025	100

	December 31, 2014		December 31, 2013	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Notes 14 and 29)	$ 5,285,762	20	$ 3,992,832	17
Short-term bills payable (Note 15)	150,000	1	150,000	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,761	-	-	-
Notes payable (Note 16)	453,583	2	418,486	2
Notes payable - related parties (Notes 16 and 28)	232,594	1	232,194	1
Accounts payable (Note 16)	4,965,799	19	4,810,764	21
Accounts payable - related parties (Notes 16 and 28)	229,312	1	233,949	1
Other payables (Note 19)	857,666	3	690,719	3
Current tax liabilities (Notes 4 and 23)	147,820	1	170,787	1
Provisions - current (Note 4)	47,016	-	24,630	-
Current portion of long-term debts (Notes 17 and 29)	19,475	-	13,830	-
Other current liabilities	113,718	-	55,148	-
Total current liabilities	12,504,506	48	10,793,339	47
NONCURRENT LIABILITIES				
Long-term debts (Notes 17 and 29)	1,311,694	5	1,799,640	8
Bonds payable (Notes 4 and 18)	977,877	4	-	-
Provision - noncurrent (Note 4)	14,760	-	14,760	-
Accrued pension liabilities (Notes 4 and 20)	273,551	1	268,501	1
Guarantee deposits received	461	-	701	-
Deferred tax liabilities (Notes 4 and 23)	712,705	2	594,356	2
Total noncurrent liabilities	3,291,048	12	2,677,958	11
Total liabilities	15,795,554	60	13,471,297	58
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)				
Share capital				
Ordinary shares	2,313,901	9	2,313,901	10
Capital surplus	1,326,412	5	1,259,555	5
Retained earnings				
Legal reserve	1,464,197	6	1,348,252	6
Special reserve	72,302	-	72,302	-
Unappropriated earnings	4,069,357	15	3,608,841	16
Total retained earnings	5,605,856	21	5,029,395	22
Other equity	444,472	2	343,111	2
Total equity attributable to owners of the Corporation	9,690,641	37	8,945,962	39
NON-CONTROLLING INTERESTS (Note 21)	822,495	3	709,766	3
Total equity	10,513,136	40	9,655,728	42
TOTAL	$ 26,308,690	100	$ 23,127,025	100

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

(With Deloitte & Touche audit report dated March 25, 2015)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2014		2013	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Note 28)				
Net sales	$ 39,738,150	100	$ 34,240,455	100
Commission revenue	66,745	-	118,940	-
Other operating revenue	95,855	-	39,003	-
Total operating revenues	39,900,750	100	34,398,398	100
OPERATING COSTS (Notes 10 and 28)				
Cost of goods sold	36,291,532	91	31,268,906	91
Other operating costs	35,312	-	25,347	-
Total operating costs	36,326,844	91	31,294,253	91
GROSS PROFIT	3,573,906	9	3,104,145	9
OPERATING EXPENSES (Notes 20 and 22)				
Selling and marketing expenses	1,898,156	5	1,660,589	5
General and administrative expenses	411,712	1	424,768	1
Total operating expenses	2,309,868	6	2,085,357	6
OPERATING INCOME	1,264,038	3	1,018,788	3
NON OPERATING INCOME AND EXPENSES				
Other income (Note 22)	189,078	1	196,429	-
Other gains and losses (Note 22)	85,226	-	199,385	1
Financial costs (Note 22)	(107,271)	-	(80,565)	-
Share of the profit or loss of associates	332,253	1	304,762	1
Total non-operating income and expenses	499,286	2	620,011	2
PROFIT BEFORE INCOME TAX	1,763,324	5	1,638,799	5
INCOME TAX EXPENSE (Notes 4 and 23)	399,277	1	399,776	1
NET PROFIT FROM CONTINUING OPERATIONS	1,364,047	4	1,239,023	4
OTHER COMPREHENSIVE INCOME (Notes 21 and 23)				
Exchange differences on translating foreign operations	172,082	-	204,327	-

(Continued)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2014		2013	
	Amount	%	Amount	%
Unrealized gain on available-for-sale financial assets	$ (100,191)	-	$ (35,573)	-
Actuarial gain and loss arising from defined benefit plans	(3,924)	-	15,347	-
Share of the other comprehensive income of associates	72,830	-	60,366	-
Income tax relating to the components of other comprehensive income	(20,122)	-	(40,293)	-
Other comprehensive income for the year, net of income tax	120,675	-	204,174	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,484,722	4	$ 1,443,197	4
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,273,607		$ 1,159,458	
Non-controlling interests	90,440		79,565	
	$ 1,364,047		$ 1,239,023	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,371,993		$ 1,338,100	
Non-controlling interests	112,729		105,097	
	$ 1,484,722		$ 1,443,197	
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	$ 5.50		$ 5.01	
Diluted	5.27		4.90	

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

(With Deloitte & Touche audit report dated March 25, 2015) (Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation									
			Retained Earnings			Other Equity				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Subtotal	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2013	$ 2,313,901	$ 1,246,456	$ 1,250,139	$ 72,302	$ 3,116,164	$ (144,271)	$ 318,547	$ 8,173,238	$ 574,821	$ 8,748,059
Appropriation of 2012 earnings (Note 21)										
Legal reserve	-	-	98,113	-	(98,113)	-	-	-	-	-
Cash dividends distributed by the Corporation-25%	-	-	-	-	(578,475)	-	-	(578,475)	-	(578,475)
	-	-	98,113	-	(676,588)	-	-	(578,475)	-	(578,475)
Other changes in capital surplus										
Change in capital surplus from investments in associates accounted for by using equity method	-	13,099	-	-	-	-	-	13,099	-	13,099
Net profit for the year ended December 31, 2013	-	-	-	-	1,159,458	-	-	1,159,458	79,565	1,239,023
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax (Note 21)	-	-	-	-	9,807	227,423	(58,588)	178,642	25,532	204,174
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	1,169,265	227,423	(58,588)	1,338,100	105,097	1,443,197
Increase in non-controlling interests (Note 21)	-	-	-	-	-	-	-	-	29,848	29,848
BALANCE AT DECEMBER 31, 2013	2,313,901	1,259,555	1,348,252	72,302	3,608,841	83,152	259,959	8,945,962	709,766	9,655,728
Appropriation of 2013 earnings (Note 21)										
Legal reserve	-	-	115,945	-	(115,945)	-	-	-	-	-
Cash dividends distributed by the Corporation-30%	-	-	-	-	(694,171)	-	-	(694,171)	-	(694,171)
	-	-	115,945	-	(810,116)	-	-	(694,171)	-	(694,171)
Issue of the convertible bonds recognized equity component - share option	-	22,374	-	-	-	-	-	22,374	-	22,374
Change in capital surplus from investments in associates accounted for by using equity method	-	44,483	-	-	-	-	-	44,483	-	44,483
	-	66,857	-	-	-	-	-	66,857	-	66,857
Net profit for the year ended December 31, 2014	-	-	-	-	1,273,607	-	-	1,273,607	90,440	1,364,047
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax (Note 21)	-	-	-	-	(2,975)	210,942	(109,581)	98,386	22,289	120,675
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	1,270,632	210,942	(109,581)	1,371,993	112,729	1,484,722
BALANCE AT DECEMBER 31, 2014	$ 2,313,901	$ 1,326,412	$ 1,464,197	$ 72,302	$ 4,069,357	$ 294,094	$ 150,378	$ 9,690,641	$ 822,495	$ 10,513,136

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

(With Deloitte & Touche audit report dated March 25, 2015)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2014	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	$ 1,763,324	$ 1,638,799
Adjustments for:		
Depreciation expenses	77,871	73,665
Amortization expenses	20,479	11,392
Provision for doubtful accounts	52,318	16,911
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	1,761	3,285
Interest expenses	107,271	80,565
Interest income	(111,625)	(89,232)
Dividend income	(15,212)	(12,410)
Share of profit of associates	(332,253)	(304,762)
Gain on disposal of property, plant and equipment	(12,875)	(1,049)
Gain on disposal of investments	(92,985)	(74,509)
Loss on inventories	42,214	31,519
Net (loss) gain on foreign currency exchange	15,598	(47,526)
Others	11,762	18,090
Changes in operating assets and liabilities		
Notes receivable	(459,035)	(255,773)
Accounts receivable	(1,244,803)	(681,374)
Accounts receivable - related parties	(25,586)	5,393
Other receivable	6,867	26,972
Other receivable - related parties	(603)	466
Inventories	(532,118)	(466,361)
Prepayments and other current assets	(215,122)	41,498
Notes payable	35,097	91,387
Notes payable - related parties	400	30,387
Accounts payable	155,035	683,393
Accounts payable - related parties	(4,637)	(40,330)
Other payables	166,359	150,487
Provisions	22,386	6,779
Other current liabilities	58,570	(29,013)
Accrued pension liabilities	434	1,961
Cash generated from (used in) operations	(509,108)	910,610
Interest received	111,625	89,232
Dividend received	198,604	180,386
Interest paid	(99,522)	(78,324)
Income tax paid	(333,361)	(227,823)
Net cash generated from (used in) operating activities	(631,762)	874,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets designated as at fair value through profit and loss	-	90,000

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WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2014	2013
Acquisition of available-for-sale financial assets	$ (491,678)	$ (262,413)
Proceeds of sale of available-for-sale financial assets	305,418	301,440
Acquisition of associates	-	(286,151)
Increase in prepayments for investments	(3,000)	-
Payments for property, plant and equipment	(558,807)	(429,336)
Proceeds from disposal of property, plant and equipment	15,364	2,549
Increase in refundable deposits	(53,815)	(51,835)
Decrease in refundable deposits	33,169	42,175
Payments for intangible assets	(9,591)	(3,214)
Decrease (increase) in other financial assets	(372,261)	747,350
Decrease (increase) in prepayments for equipment	16,529	(92,087)
Increase in other noncurrent assets	(15,329)	(3,032)
Net cash generated from (used in) investing activities	(1,134,001)	55,446
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	16,509,406	11,008,538
Repayments of short-term loans	(15,179,359)	(10,600,551)
Increase in short-term bills payable	-	150,000
Proceeds from issue of convertible bonds	994,380	-
Proceeds from long-term debts	1,346,567	250,897
Repayment of long-term debts	(1,815,247)	(9,034)
Proceeds from guarantee deposits received	-	17
Refund of guarantee deposits received	(240)	-
Cash dividends	(694,171)	(578,475)
Change in non-controlling interests	-	29,848
Net cash generated from financing activities	1,161,336	251,240
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	106,716	227,430
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(497,711)	1,408,197
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,984,593	1,576,396
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,486,882	$ 2,984,593

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

(With Deloitte & Touche audit report dated March 25, 2015) (Concluded)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Wah Lee Industrial Corporation (the "Corporation") was incorporated in October 1968, and is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, and computer related manufacturing materials and equipment.

The Corporation's shares have been listed and traded on the Taiwan Stock Exchange since July 22, 2002.

The functional currency of the Corporation is New Taiwan dollars and the consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 23, 2015.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

Rule No. 1030029342 and Rule No. 1030010325 issued by the Financial Supervisory Commission (FSC), stipulated that the Corporation and entities controlled by the Corporation (the "Group") should apply the 2013 version of IFRS, IAS, IFRIC and SIC (the "New IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

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

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 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 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

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

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

1) IFRS 10 "Consolidated Financial Statements"

   IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) 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 unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) Revision to IAS 28 "Investments in Associates and Joint Ventures"

   Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associate meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

4) IFRS 13 “Fair Value Measurement”

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

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

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

The amendment to IAS 1 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 apply the above amendments starting from January 1, 2015. The items expected not to be reclassified to profit or loss include the remeasurements of the defined benefit plans and share of the remeasurements of the defined benefit plans of associates accounted for using the equity method. Items expected to be reclassified to profit or loss include exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, cash flow hedges and share of the other comprehensive income (except the remeasurements of the defined benefit plans and share of the remeasurements of the defined benefit plans of associates accounted for using the equity method) of associates accounted for using the equity method. 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.

6) 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 will be adjusted to net defined benefit liabilities, deferred tax assets and retained earnings. 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:

	Carrying Amount	IAS 19 Adjustments	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2014			
Assets			
Deferred tax assets	$ 162,115	$ 9,503	$ 171,618
Liabilities			
Accrued pension liabilities	$ 273,551	$ 55,897	$ 329,448
Equity			
Unappropriated earnings	$ 4,069,357	$ (46,394)	$ 4,022,963
January 1, 2014			
Assets			
Deferred tax assets	$ 152,209	$ 10,367	$ 162,576
Liabilities			
Accrued pension liabilities	$ 268,501	$ 60,982	$ 329,483
Equity			
Unappropriated earnings	$ 3,608,841	$ (50,615)	$ 3,558,226
Impact on total comprehensive income for the year ended December 31, 2014			
Operating expenses	$ 2,309,868	$ (5,085)	$ 2,304,783
Profit before income tax	$ 1,763,324	$ 5,085	$ 1,768,409
Income tax expense	399,277	864	400,141
Net profit	1,364,047	4,221	1,368,268
Other comprehensive income	120,675	-	120,675
Total comprehensive income for the year	$ 1,484,722	$ 4,221	$ 1,488,943

7) Amendment to IAS 32 “Offsetting Financial Asset and Financial Liability”

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

8) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

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

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

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Except for the above impacts of IAS 19, the application of the 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers do not have anticipated material impact on the Group’s consolidated financial statements.

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
Amendment 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)
Amendment to IFRS 11 “ Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1”Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

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

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

Except for the following, the impending initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies:

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 contractual cash flows and the selling 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 is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial assets 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 the 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 impairment loss on financial assets to be 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 a 12-month expected credit loss 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 loss 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 loss 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) IFRIC 21 "Levies"

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

4) 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.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

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

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

5) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

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

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

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

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

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

The amended IAS 38 "Intangible Assets" requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

7) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

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

a) Identify the contract with the customer;

b) Identify the performance obligations in the contract;

c) Determine the transaction price;

d) Allocate the transaction price to the performance obligations in the contracts; and

e) 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.

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

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

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

9) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale.

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

10) 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 value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c. Classification of Current and Noncurrent 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Basis of Consolidation

1) Principles for preparing consolidated financial statements

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

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

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

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if the results in the non-controlling interests will have a deficit balance.

Changes in the Corporation'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 Corporation.

2) The subsidiaries in the consolidated financial statements

The detailed information of the subsidiaries at the end of the reporting period was as follows:

			Percentage of Ownership		
Investor	**Investee**	**Main Businesses**	**December 31, 2014**	**December 31, 2013**	**Remark**
The Corporation	Wah Lee Holding Ltd.	International investment	100.00	100.00	Established in BVI
	Raycong Industrial (H.K.) Ltd. (Raycong)	Trading business of engineering plastic, composite materials and equipment	53.69	53.69	Established in Hong Kong
	Wah Lee Japan Corp. (Wah Lee Japan)	Trading business of glass fiber, electronic equipment optical machinery, etc.	83.33	83.33	Established in Japan
	Wah Lee Korea Ltd.	Trading business of glass fiber, electronic equipment optical machinery, etc.	94.87	94.87	Established in Korea
	Skypower Ltd. (Skypower)	Trading business of solar energy materials and equipment	70.00	70.00	Established in Japan
	Okayama Solar Ltd. (Okayama Solar)	Solar power generation business	99.99	-	Established in Japan, Note
	Sakuragawa Solar Ltd. (Sakuragawa Solar)	Solar power generation business	99.99	-	Established in Japan, Note
	Miyazaki Solar Ltd. (Miyazaki Solar)	Solar power generation business	99.99	-	Established in Japan, Note
Wah Lee Holding Ltd.	SHC Holding Ltd.	International investment	100.00	100.00	Established in Mauritius
	Global SYK Holding Ltd.	International investment	- (Liquidated)	100.00	Established in Mauritius
	Wah Lee Tech (Singapore) Pte. Ltd. (Wah Lee Tech)	Agency of semiconductor materials and equipment	100.00	100.00	Established in Singapore
	Wah Lee Machinery Trading Limited	International trading	100.00	100.00	Established in BVI
	Raycong Industrial (H.K.) Ltd. (Raycong)	Trading business of engineering plastic, composite materials and equipment	46.31	46.31	Established in Hong Kong

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership December 31, 2014	December 31, 2013	Remark
	Regent King International Limited (Regent King)	Trading business of engineering plastic composite materials and equipment	100.00	-	Established in Hong Kong
Raycong Industrial (H.K.) Ltd.	Dong Guan Hua Gang International Trading Co., Ltd. (Dong Guan Hua Gang)	Trading business of industrial materials and equipment	100.00	100.00	Established in Dong Guan
	Shanghai Yikang Chemicals and Industries Co., Ltd. (Shanghai Yikang)	International trading of industrial materials	70.00	70.00	Established in Shang hai

(Concluded)

Note: In December 2014, the Corporation invested in Okayama Solar, Sakuragawa Solar and Miyazaki Solar in Japan, which are mainly engaged in solar power plants; the authorized capital of each of the companies was JPY10,000, and the Corporation invested JPY9,900 in each of the companies; the percentage of ownership was 99.99%. In addition, the Corporation entered a silent partnership contract with Okayama Solar, Sakuragawa Solar and Miyazaki Solar, and the Corporation invested $63,739 thousand (JPY237,126 thousand), $42,456 thousand (JPY159,132 thousand) and $50,245 thousand (JPY186,787 thousand), respectively, as of December 31, 2014.

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 in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations (including of the subsidiaries’ and associates’ operations in other countries or currencies used are different with the Corporation) 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 Corporation and non-controlling interests as appropriate).

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item. Net realizable value is the estimated selling price of inventories less all expenses necessary to make the sale. The inventories of the Corporation, Raycong, Dong Guan Hua Gang, and Shanghai Yikang are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date; other subsidiaries of the Group used the weighted-average cost method.

g. Investment in Associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate 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 associate. The Group also recognizes the change in the Group's share of equity of associates attributable to the Group.

When the Group subscribes for additional new shares of the associate 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 associate. 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 associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by using equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, forms part of the Group's net investment in the associate), 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 associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the 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, the recognized impairment loss is also 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.

When the Group transacts with its associate, 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 associate that are not related to the Group.

h. Property, Plant, and Equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and recognized 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.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. 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 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. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss of goodwill is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible Assets

Intangible assets (computer software) 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 over their estimated useful lives. 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 being 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.

Gain or loss from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss when the asset is derecognized.

k. Impairment of Tangible and Intangible Assets Other than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of tangible and intangible assets, excluding goodwill, 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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 subsequently is 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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

l. 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.

Financial assets

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

1) Measurement category

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

a) 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. 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.

b) Loans and receivables

Loans and receivables (including cash and cash equivalent, notes and accounts receivable, other receivables, refundable deposits and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

2) Impairment of financial assets

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

For financial assets carried at amortized cost, such as accounts 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, 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 is 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 is 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, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, the amount 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 accounts receivables that are written off against the allowance account.

3) 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.

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

Equity instruments

Debt and equity instruments issued by the Group 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 Group'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 Group's own equity instruments.

Financial liabilities

1) 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 held by the Group were financial liabilities 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. Fair value is determined in the manner described in Note 27.

2) Derecognition of financial liabilities

The difference between the carrying amount of the derecognized financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability components (included in the carrying amount of liabilities) and equity components (included in equity) in proportion to the allocation of the gross proceeds.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage exposure to foreign exchange rate, 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. 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.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

m. Provisions

The provisions include reserve for sales allowance and other long term employee benefits.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Other long-term employee benefits are accounted for in the same way as the accounting required for post-employment benefits except that all past service cost and actuarial gains and losses are recognized immediately.

n. Revenue Recognition

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

1) Sale of goods

   Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time 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.

2) Rendering of services

Commission revenues are recognized when goods are shipped to customers, according to the contracted percentage.

Other service income is recognized when services are provided.

3) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the 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 applicable effective interest rate.

o. 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.

As lessor, the Group recognizes rental income from operating lease on a straight-line basis over the term of the relevant lease.

As lessee, the Group recognizes rental expense for operating lease on a straight-line basis over the lease term.

p. 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.

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

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 carryforward 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 associates, 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 each 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 each 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 tax and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the 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 to be 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 accounts receivable

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. The carrying value of the accounts receivable and the movements of the allowance for doubtful accounts are disclosed in Note 9.

b. Fair value of financial instruments

As described in Note 27, the Group's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are based on quoted market rates adjusted for specific features of the instruments. The measurement for the fair value of unlisted equity investments includes assumptions not based on observable market price or rates. As of December 31, 2014 and 2013, the carrying amount of these equity instruments was $472,312 thousand and $170,007 thousand respectively. Note 27 provides detail information about the key assumptions used in the determination of fair value of financial instruments.

The Group's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

c. Impairment of inventories

Net realizable value of inventories is the estimated selling prices in the ordinary course of business less the estimated expenses 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.

d. Useful lives of property, plant and equipment

As described in Note 4. h., the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date.

e. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using 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.

f. Income taxes

As of December 31, 2014 and 2013, the carrying amount of deferred tax assets in relation to deductible temporary differences was $23,722 thousand and $29,524 thousand respectively. Since the deductible temporary differences can be realized with significant uncertainty, the Group did not recognize deferred tax assets.

The realizability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	**2013**
Cash on hand	$ 4,204	$ 2,081
Demand deposits	1,224,138	1,170,143
Checking accounts	2,038	22,455
Cash equivalents		
Time deposits with original maturities less than three months	1,256,502	1,789,914
	$ 2,486,882	$ 2,984,593

The ranges of market interest rates of time deposits at each balance sheet date were as follows:

	December 31	
	2014	**2013**
Time deposits (%)	0.5-5.2	0.43-6.9

Time deposits with original maturities of more than three months were reclassified as other financial assets (refer to Note 11).

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities held for trading - current	**Amount**
Derivative financial liabilities (not under hedge accounting)	
Foreign exchange forward contracts	$ 1,761

The Group entered into foreign exchange forward contracts during 2014 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

The outstanding foreign forward contracts at the balance sheet date were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2014			
Sell	JPY/NTD	April 2015-June 2015	JPY341,952/NTD88,859

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2014	2013
Domestic investments		
Listed shares	$ 124,584	$ 274,711
Emerging market shares	14,081	9,744
Unlisted shares	374,201	79,352
Mutual funds	135,354	108,718
	648,220	472,525
Foreign investments		
Listed shares	43,945	46,242
Unlisted shares	84,030	80,911
	127,975	127,153
	$ 776,195	$ 599,678
Current	$ 242,795	$ 354,353
Noncurrent	533,400	245,325
	$ 776,195	$ 599,678

9. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2014	2013
Notes receivable - operating	$ 1,468,807	$ 1,009,772
Accounts receivable - unrelated parties		
Accounts receivable	$ 9,621,958	$ 8,442,355
Less: Allowance for doubtful accounts	29,057	39,890
	9,592,901	8,402,465
Accounts receivable - related parties	86,071	60,485
	$ 9,678,972	$ 8,462,950

The average credit period of sales of goods was 30-180 days. In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to each balance sheet date. The Group assessed the accounts receivable during the period of credit and recognized allowance for impairment loss based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The Group periodically reviewed the customers' credit limits. The notes receivable and accounts receivable that were neither past due nor impaired had good credit scores according to internal credit review system.

The concentration of credit risk was limited due to the fact that the customer base was large.

Accounts receivable balances (see below for age analysis) that were past due at the end of reporting period but not provided with allowance for impairment because there had not been a significant change in credit quality and the amounts were still considered recoverable were $31,134 thousand and $25,080 thousand as of December 31, 2014 and 2013, respectively. The Group did not hold any collateral over these balances and did not have a legal right to offset against any amounts owed by the Group to the counterparty.

Age analysis of receivables that were past due but not impaired was as follows:

	December 31	
	2014	2013
Less than 90 days	$ 6,980	$ 6,931
91-150 days	21,786	12,419
151-180 days	1,915	67
Over 181 days	453	5,663
	$ 31,134	$ 25,080

The above aging schedule was based on the invoice date.

Movements of the individually assessed allowance for impairment loss recognized on accounts receivable were as follows:

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 39,890	$ 49,767
Add: Impairment loss provision	52,318	16,911
Less: Amount written off during the year as uncollectible	(65,200)	(28,727)
Foreign exchange translation loss	2,049	1,939
Balance, end of year	$ 29,057	$ 39,890

Ages of individually impaired accounts receivable were as follows:

	December 31	
	2014	2013
Less than 90 days	$ 24,068	$ 9,885
91-150 days	280,094	12,330
151-180 days	37,530	22,555
Over 181 days	137,216	84,050
	$ 478,908	$ 128,820

The carrying amount of notes receivable pledged as collateral for borrowings was disclosed in Note 29.

The above aging of trade receivables before deducting the allowance for impairment loss was presented based on the invoice date.

10. INVENTORIES

	December 31	
	2014	2013
Merchandise	$ 3,545,653	$ 2,883,092
Merchandise in transit	21,656	198,220
	$ 3,567,309	$ 3,081,312

As of December 31, 2014 and 2013, the allowance for inventory devaluation was $151,614 thousand and $182,315 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 was $36,291,532 thousand and $31,268,906 thousand, respectively, which included the following items:

	For the Year Ended December 31	
	2014	2013
Reversal of loss on inventories	$ (34,608)	$ (7,540)
Loss (gain) on physical inventories	(163)	267
Loss on disposal of inventories	42,377	31,252
	$ 7,606	$ 23,979

11. OTHER FINANCIAL ASSETS - CURRENT

	December 31	
	2014	2013
Time deposits with original maturity more than three months	$ 1,305,206	$ 932,945
Annual interest rate (%)	0.75-6	1.345-5

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
Investments in Associates	2014	2013
Listed companies		
Chang Wah Electromaterials Inc.	$ 1,417,278	$ 1,302,027
Wah Hong Industrial Corp.	1,292,799	1,222,609
Unlisted companies		
Nagase Wahlee Plastics Corp.	708,610	669,976
Orc Technology Corp.	194,577	188,617
Shanghai Hua Chang Trading Co., Ltd.	554,657	508,560
Shanghai Chang Hua Corp.	132,507	115,894
	$ 4,300,428	$ 4,007,683

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

	December 31	
	2014	2013
Chang Wah Electromaterials Inc.	28.51%	27.69%
Wah Hong Industrial Corp.	25.96%	25.96%
Nagase Wahlee Plastic Corp.	40.00%	40.00%
Orc Technology Corp.	35.00%	35.00%
Shanghai Hua Chang Trading Co., Ltd.	30.00%	30.00%
Shanghai Chang Hua Corp.	30.63%	30.63%

Investments in publicly traded shares that are accounted for using the equity method were priced based on the closing price of those shares at the balance sheet date. The investments were summarized as follows:

	December 31	
	2014	2013
Chang Wah Electromaterials Inc.	$ 1,539,239	$ 1,888,866
Wah Hong Industrial Corp.	851,586	787,976
	$ 2,390,825	$ 2,676,842

Brief descriptions of the movements of long-term investments were as follows:

In May 1989, the Corporation invested in Chang Wah Electromaterials Inc., which is engaged in the agency of materials and equipment for IC packaging. Between November and December 2014, Chang Wah Electromaterials Inc. bought 2,289,000 shares of treasury stock, and the percentage of ownership increased to 28.51%. The Corporation's cumulative investments in Chang Wah Electromaterials Inc. amounted to $471,338 thousand as of December 31, 2014.

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

Financial summary of the Group's associates was as follows:

	December 31	
	2014	2013
Total assets	$ 34,036,661	$ 31,330,582
Total liabilities	$ 18,280,670	$ 16,773,067

	For the Year Ended December 31	
	2014	2013
Operating revenue	$ 39,675,062	$ 41,787,556
Net profit	$ 782,603	$ 1,050,552
Other comprehensive income	$ 266,796	$ 182,871

13. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2014

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office and Miscellaneous Equipment	Leasehold Improvements	Construction in progress	Total
Cost								
Balance at January 1, 2014	$ 455,198	$ 605,695	$ 135,342	$ 51,547	$ 359,539	$ 52,334	$ 208,755	$ 1,868,410
Additions	317,120	80,213	-	849	35,985	2,503	122,047	558,717
Disposals	-	(7,991)	-	(2,627)	(3,960)	(1,352)	-	(15,930)
Finished and transferred	-	27,266	213,874	-	-	-	(241,140)	-
Effect of foreign currency exchange differences	(2,980)	5,166	(30,623)	680	2,171	150	5,880	(19,556)
Balance at December 31, 2014	$ 769,338	$ 710,349	$ 318,593	$ 50,449	$ 393,735	$ 53,635	$ 95,542	$ 2,391,641
Accumulated depreciation								
Balance at January 1, 2014	$ -	$ 167,625	$ 4,025	$ 39,266	$ 261,855	$ 51,431	$ -	$ 524,202
Disposals	-	(5,902)	-	(2,264)	(3,923)	(1,352)	-	(13,441)
Depreciation expense	-	23,575	19,645	5,241	28,596	814	-	77,871
Effect of foreign currency exchange differences	-	2,282	(1,655)	406	1,817	41	-	2,891
Balance at December 31, 2014	$ -	$ 187,580	$ 22,015	$ 42,649	$ 288,345	$ 50,934	$ -	$ 591,523
Carrying amounts at December 31, 2014	$ 769,338	$ 522,769	$ 296,578	$ 7,800	$ 105,390	$ 2,701	$ 95,542	$ 1,800,118

For the year ended December 31, 2013

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office and Miscellaneous Equipment	Leasehold Improvements	Construction in progress	Total
Cost								
Balance at January 1, 2013	$ 459,975	$ 531,590	$ 2,335	$ 79,523	$ 370,461	$ 54,664	$ 33,973	$ 1,532,521
Additions	-	62,811	141,726	5,880	29,619	210	189,157	429,403
Disposals	-	-	(290)	(34,563)	(43,217)	(2,581)	-	(80,651)
Effect of foreign currency exchange differences	(4,777)	11,294	(8,429)	707	2,676	41	(14,375)	(12,863)
Balance at December 31, 2013	$ 455,198	$ 605,695	$ 135,342	$ 51,547	$ 359,539	$ 52,334	$ 208,755	$ 1,868,410
Accumulated depreciation								
Balance at January 1, 2013	$ -	$ 144,285	$ 635	$ 65,444	$ 260,738	$ 52,820	$ -	$ 523,922
Disposals	-	-	(290)	(34,327)	(41,953)	(2,581)	-	(79,151)
Depreciation expense	-	19,931	3,816	7,752	41,010	1,156	-	73,665
Effect of foreign currency exchange differences	-	3,409	(136)	397	2,060	36	-	5,766
Balance at December 31, 2013	$ -	$ 167,625	$ 4,025	$ 39,266	$ 261,855	$ 51,431	$ -	$ 524,202
Carrying amounts at December 31, 2013	$ 455,198	$ 438,070	$ 131,317	$ 12,281	$ 97,684	$ 903	$ 208,755	$ 1,344,208

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

Buildings	
Office	20-63 years
Office interior decoration	5-11 years
Machinery and equipment	3-17 years
Transportation equipment	1-9 years
Office and miscellaneous equipment	
Fire extinguishing equipment and safeguard monitoring system	4-6 years
Steel cylinder	5-9 years
Hoist	11-16 years
Others	1-8 years
Leasehold improvements	1-10 years

Refer to Note 29 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure borrowings granted to the Group.

14. SHORT-TERM LOANS

	December 31	
	2014	2013
Secured loans (Note 29)		
Bank loans	$ 189,934	$ 175,425
Unsecured loans		
Loans for procurement of materials	2,349,696	2,073,310
Line of credit of loans	2,746,132	1,744,097
	5,095,828	3,817,407
	$ 5,285,762	$ 3,992,832
Annual interest rate (%)	0.76-2.36	0.69-2.25

15. SHORT-TERM BILLS PAYABLE

Outstanding short-term bills payable were as follows:

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
December 31, 2014				
China Bills Finance Corporation	$ 100,000	$ -	$ 100,000	0.72-0.73
International Bills Finance Corporation	50,000	-	50,000	1.26
	$ 150,000	$ -	$ 150,000	
December 31, 2013				
China Bills Finance Corporation	$ 100,000	$ -	$ 100,000	0.68
International Bills Finance Corporation	50,000	-	50,000	0.892
	$ 150,000	$ -	$ 150,000	

The commercial paper payable had not been discounted because the effect was not material.

16. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2014	2013
Notes payable (including related parties)		
Operating	$ 679,461	$ 644,293
Non-operating	6,716	6,387
	$ 686,177	$ 650,680

(Continued)

	December 31	
	2014	2013
Notes payable		
Unrelated parties	$ 453,583	$ 418,486
Related parties	232,594	232,194
	$ 686,177	$ 650,680
Accounts payable (including related parties)		
Operating	$ 5,195,111	$ 5,044,713
Accounts payable		
Unrelated parties	$ 4,965,799	$ 4,810,764
Related parties	229,312	233,949
	$ 5,195,111	$ 5,044,713

(Concluded)

The average credit period of purchases of goods was 30-120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Therefore, no interest was charged on the accounts payable.

17. LONG-TERM DEBTS

	December 31	
	2014	2013
Syndicated bank loans (led by Hua Nan Bank) (a)	$ 1,020,000	$ 1,440,000
Less: Syndicated loan fee	1,200	2,400
	1,018,800	1,437,600
Mortgage Loan		
Hua Nan Bank (b)	-	124,973
Hua Nan Bank - Singapore (c)	78,674	11,094
China Trust (d)	233,695	239,803
	312,369	375,870
Less: Current portion	19,475	13,830
	292,894	362,040
	$ 1,311,694	$ 1,799,640

a. The Corporation signed a syndicated loan agreement with seventeen banks led by Hua Nan Bank in January 2011. The main contents of the syndicated loan agreement are as follows:

1) The loan is a 5-year medium-term revolving credit line up to $2.4 billion that commences from the initial drawdown date. Beginning on the third year, the maximum credit line will be reduced every six months; each of the first four six-month periods will be reduced by $360 million and the fifth six-month period will be reduced by $960 million. Under the borrowing limit, the Corporation could use the revolving credit facility and choose borrowing terms of 90 days or 180 days. Each drawdown shall be repaid at the end of each interest period, but shall be available for redrawing on a revolving basis not less than three business days from original loan's maturity date subject to no

occurrence of default. As of December 31, 2014 and 2013, the interest rates were 1.5592%-1.5613% and 1.6353%, respectively.

2) Pursuant to the loan agreement, the Corporation should maintain certain financial ratios as follows:

- Current ratio should not be less than 100%.
- Debt ratio should not be more than 150%.
- Interest coverage ratio should not be less than 800%.
- Tangible net worth, the balance after deducting intangible assets from stockholders' equity, should not be less than $6 billion.

Pursuant to the loan agreement, the Corporation should maintain the aforementioned financial ratios. Such financial ratios should be calculated based on audited annual consolidated financial statements and reviewed semi-annual consolidated financial statements. If the Corporation is not in compliance with the aforementioned financial ratios or other terms of the loan agreement, the syndicated banks have the right to suspend or cancel all or portion of the credit line, declare the entire unpaid principal amount of the advances, all accrued and unpaid interest, fees and all other sums payable to be due immediately, and/or declare the commitment amount to be cancelled and reduced to zero.

The Corporation had met the conditions of the loan agreement based on the audited annual consolidated financial statements as of and for the years ended December 31, 2014 and 2013.

b. Mortgage loan with Hua Nan Bank repayable in 214 monthly installments from December 2009 to October 2027, $753 thousand per installment. In August 2014, the loan has been fully repaid. The interest rate was 1.87% as of December 31, 2013.

c. The subsidiary company - Wah Lee Tech signed a mortgage loan agreement with Hua Nan Bank, Singapore Branch in April 2013 for purchase of building. The loan is a long-term credit line up to SGD3,754 thousand and the drawdowns are according to construction progress of the building. The principal will be repaid after the building is completed; the building is pledged to the bank. The interest rate was 1.75%-1.8% and 1.6% as of December 31, 2014 and 2013, respectively.

d. The subsidiary company - Skypower signed a mortgage loan agreement with China Trust, Tokyo Branch in June 2013 for construction of plant and purchasing of equipment. The loan credit line is up to JPY920,000 thousand and can be drawn before July 2014. After one year from the initial drawdown date, the principal will be repaid in 25 installments. The interest rate was 1.87% and 1.89% as of December 31, 2014 and 2013, respectively.

18. BONDS PAYABLE - ONLY AS OF DECEMBER 31, 2014

	Amounts
a. Liability component	
Convertible bonds	
Proceeds from issue	$ 1,000,000
Interest payable	15,075
Less: Discount on bonds payable	37,575
Issuance cost of bonds payable	5,494
Amortized cost	972,006
Add: Amortization expenses	5,871
	$ 977,877

(Continued)

			Amounts
b.	Equity component		
	Share option of common stock	$	22,500
	Less: Issuance cost of share option		126
	Capital surplus - share option	$	22,374

(Concluded)

In August 2014, the Corporation issued $1 billion (all issued on 10 thousand sheets and the denomination of each sheet was $100 thousand) of 3-year (from August 2014 to August 2017) with zero interest coupon second unsecured domestic convertible bonds.

The convertible bonds included liabilities and conversion options, and recognized as liabilities and capital surplus-share option respectively. The non-derivative financial liabilities component of the convertible bonds (included issuance costs and interests payable) are measured at amortized cost using the effective interest method (the effective interest rate was 1.446%), and related amortization expenses of convertible bonds were recognized in profit or loss in the period in which they arise. The conversion methods were as follows：

a. Conversion option

From one month after the issuance date to the maturity date (except the relevant transfer period), bondholders may request to convert the bonds into the Corporation’s common shares.
The conversion price was originally $69 per share. After the issue date, except the Corporation issue various securities with conversion option or share option to transfer to common shares, the conversion price will be subject to adjustments under the following conditions: (a) the ordinary shares issued increase, or (b) cash dividends distributed are up to 1.5% of the current price per share or (c) conversion price is lower than the current price per share or re-issue (or private placement) of various securities with ordinary shares conversion rights or warrants lower than the conversion price, or (d) ordinary shares of capital reduction were induced reduction not due to cancellation of treasury shares.

b. Redemption option

From one month after the issuance date to 40 days before the maturity date, if the closing price in Taiwan Stock Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued convertible bonds, after 5 business days based on the bonds redemption reference date, the Corporation may redeem by cash the remaining bonds at their face value.

c. Date and manner of repayment of principal

Except when the bondholders used the conversion option or the Corporation used the redemption option or purchased from market and wrote off, at the maturity date the Corporation may redeem by cash the remaining bonds at their face value plus accrued interest (the amount of interest was 1.5075% of the bonds’ face value, the effective interest rate was 0.5%).

As of December 31, 2014, the bondholders had not used the conversion option and the Corporation had not used redemption option.

19. OTHER PAYABLES

	December 31	
	2014	2013
Salaries or bonus	$ 402,774	$ 308,866
Payable for bonus to employees and remuneration to directors and supervisors	210,735	191,887
Payable for business tax	49,114	19,067
Payable for commission	29,185	27,580
Payable for annual leave	21,641	21,522
Payable for insurance premium	19,089	17,941
Payable for freight fee	17,660	14,672
Payable for interest	7,588	6,910
Payable for purchasing of equipment	227	317
Others	99,653	81,957
	$ 857,666	$ 690,719

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

Subsidiaries including Raycong, Shanghai Yikang, Dong Guan Hua Gang and Wah Lee Tech are required by local regulations to make contribution for central provident fund and retirement insurance.

b. Defined benefit plan

Part of the employees of the Corporation adopted the defined benefit plan under the Labor Standards Law, in which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts, equal to 8% of total monthly salaries and wages, to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name.

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. 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, Expenditure, 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 subsidiary company - Raycong has a pension plan covering eligible employees.

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

	December 31	
	2014	**2013**
Discount rates (%)	1.75-2.00	1.75-2.25
Expected rates of salary increase (%)	2.00-3.50	2.00-3.00
Expected rate of return on plan assets (%)	1.75	1.75

The assessment of the overall expected rate of return was based on historical return trends and actuaries' 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 were as follows:

	For the Year Ended December 31	
	2014	**2013**
Current service cost	$ 5,310	$ 17,592
Interest cost	7,065	7,454
Expected return on plan assets	(1,699)	(2,796)
Past service cost	5,082	5,237
Gains arising from curtailment or settlement	(2,777)	(11,071)
	$ 12,981	$ 16,416
An analysis by function		
Selling and marketing expenses	$ 8,855	$ 8,872
General and administration expenses	4,126	12,286
	$ 12,981	$ 21,158

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were loss $3,257 thousand and gain $12,738 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2014 and 2013 was loss $456 thousand and gains $2,801 thousand, respectively.

The amounts included in the consolidated balance sheets in respect of the Group's obligations to its defined benefit plans were as follows:

	December 31	
	2014	**2013**
Present value of funded defined benefit obligation	$ 430,082	$ 435,936
Fair value of plan assets	(100,634)	(106,453)
Deficit	329,448	329,483
Past service cost not yet recognized	(55,897)	(60,982)
Accrued pension liabilities	$ 273,551	$ 268,501

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

	For the Year Ended December 31	
	2014	**2013**
Opening defined benefit obligation	$ 435,936	$ 511,693
Current service cost	5,310	17,592

(Continued)

	For the Year Ended December 31	
	2014	2013
Interest cost	$ 7,065	$ 7,454
Actuarial losses (gains)	5,111	(16,283)
Gains on curtailments	(2,780)	(12,927)
Benefits paid	(21,252)	(71,687)
Exchange differences on foreign plans	692	94
Closing defined benefit obligation	$ 430,082	$ 435,936

(Concluded)

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

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	$ 106,453	$ 161,731
Expected return on plan assets	1,699	2,796
Actuarial gains (losses)	1,187	(935)
Contributions from the employer	12,547	14,548
Benefits paid	(21,252)	(71,687)
Closing fair value of plan assets	$ 100,634	$ 106,453

For the years ended December 31, 2014 and 2013, the actual returns on plan asset were $2,886 thousand and $1,861 thousand, respectively.

The percentages of 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:

	December 31	
	2014	2013
Cash	19.12	22.86
Equity securities	49.69	44.77
Fixed-rate yield	14.46	18.11
Bonds	11.92	9.37
Short-term bills	1.98	4.10
Others	2.83	0.79
	100.00	100.00

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:

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 430,082	$ 435,936	$ 511,693	$ 495,784
Fair value of plan assets	$ (100,634)	$ (106,453)	$ (161,731)	$ (160,030)

(Continued)

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Deficit	$ 329,448	$ 329,483	$ 349,962	$ 335,754
Experience adjustments on plan liabilities	$ 2,175	$ (16,283)	$ 10,293	$ -
Experience adjustments on plan assets	$ 1,187	$ (935)	$ (1,678)	$ -

(Concluded)

The Group expects to make a contribution of $15,016 thousand to the defined benefit plans during the annual period beginning after 2014 and has contributed $15,758 thousand in 2014.

21. EQUITY

a. Capital Stock

	December 31	
	2014	2013
Number of shares authorized (in thousands)	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	231,390	231,390
Shares issued	$ 2,313,901	$ 2,313,901

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

b. Capital Surplus

	December 31	
	2014	2013
Recognized from issuance of common shares	$ 1,160,519	$ 1,160,519
Recognized from share of changes in capital surplus of associates	131,652	87,169
Recognized from issuance of convertible bonds (Note 18)	22,374	-
Recognized from donations	11,867	11,867
	$ 1,326,412	$ 1,259,555

Under the Company Law, capital surplus from premium on issued stock may be used to offset a deficit, and it may also be transferred to capital or distributed in cash once a year and up to a certain limit if the Corporation has no deficit. Capital surplus from assets received as donation may only be used to offset a deficit and capital surplus from long-term investment and convertible bonds may not be used for any purpose.

c. Retained Earnings and Dividend Policy

The Corporation's Articles of Incorporation provide that the annual net income, after offset of any deficit, shall be appropriated as follows:

1) 10% as legal reserve, until its balance equals to the Corporation's paid-in capital.

2) The remainder will be appropriated by resolution of the Corporation's stockholders in their meeting with not more than 3% as bonus to directors and supervisors, and not less than 1% as bonus to employees.

The Corporation shall undertake aggressive business plan to keep the Corporation operating as a going concern and in stable prosperity in view of the economic environment and the trend of industry growth. Dividend policy is mainly based on a residual dividend concept, i.e. the Corporation shall measure its annual cash requirement in accordance with its capital budget and regular operational cash requirement to determine the amounts of dividends in cash and/or in stock, but cash dividend shall not be less than 50% of the total amount of dividends.

For the years ended December 31, 2014 and 2013, the bonus to employees was $191,041 thousand and $173,907 thousand, both representing 15% of net income (net of the bonus and remuneration); the remuneration to directors and supervisors was $19,694 thousand and $17,980 thousand, respectively, and both representing 1.55% of net income. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the shares. The fair value of the shares refer to the closing price (after considering the effect of cash and share dividends) of the shares on the day immediately preceding the shareholders' meeting.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

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

The appropriations of earnings for 2013 and 2012 had been approved in the stockholders' meetings on June 17, 2014 and June 3, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the year ended December 31		**For the year ended December 31**	
	2013	**2012**	**2013**	**2012**
Legal reserve	$ 115,945	$ 98,113		
Cash dividends to stockholders	694,171	578,475	$ 3	$ 2.5
	$ 810,116	$ 676,588		

	For the Year Ended December 31	
	2013	2012
Bonus to employees	$ 173,907	$ 156,990
Remuneration to directors and supervisors	17,980	15,205

The approved amounts of the bonus to employees and the remuneration to directors and supervisors were the same with the accrual amounts recognized in the financial statements for the years ended December 31, 2013 and 2012.

The appropriations of earnings for 2012 were proposed according to the Corporation's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP").

The appropriations of earnings for 2014 had been proposed by the Corporation's board of directors on March 23, 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 127,361	
Cash dividends	763,587	$ 3.3
	$ 890,948	

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2014 are subject to the resolution in the shareholders' meeting to be held on June 22, 2015.

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

d. Special Reserves

On first-time adoption of Taiwan-IFRSs, the Corporation is required to appropriate to special reserve the amounts of unrealized revaluation increment and cumulative translation differences transferred to retained earnings, provided the total amount does not exceed the amount of retained earnings that resulted from all Taiwan-IFRSs conversion adjustment. The amounts of the unrealized revaluation increment and cumulative translation differences transferred to retained earnings were $13,649 thousand and $189,980 thousand, respectively. But the increase in retained earnings that resulted from all Taiwan-IFRSs adjustments was only $72,302 thousand; therefore, the Corporation appropriated to the special reserve only the amount of $72,302 thousand.

e. Other Equity Items

1) Exchange Differences on Translating Foreign Operations

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 83,152	$ (144,271)
Exchange differences on translation of foreign operations	149,793	178,795

(Continued)

	For the Year Ended December 31	
	2014	2013
Share of exchange difference of associates accounted for using the equity method	$ 81,938	$ 86,312
Income tax relating to gains on translation of net assets of foreign operations	(20,789)	(37,684)
Balance, end of year	$ 294,094	$ 83,152

(Concluded)

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

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 259,959	$ 318,547
Unrealized gain (loss) on revaluation of available-for-sale financial assets	(7,206)	38,936
Cumulative gain on sale of available-for-sale financial assets reclassified to profit or loss	(92,985)	(74,509)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates accounted for using the equity method	(9,390)	(23,015)
Balance, end of year	$ 150,378	$ 259,959

f. Non-Controlling Interests

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 709,766	$ 574,821
Attributable to non-controlling interests		
Share of profit for the period	90,440	79,565
Additional non-controlling interests arising on capital increase by cash of subsidiaries	-	29,848
Exchange difference arising on translation of foreign entities	22,289	25,532
Balance, end of year	$ 822,495	$ 709,766

22. NET PROFIT FROM CONTINUING OPERATIONS

The details of net profit from continuing operations were as follows:

a. Other income

	For the Year Ended December 31	
	2014	2013
Rental income	$ 6,226	$ 6,673
Interest income	111,625	89,232
Dividends	15,212	12,410

(Continued)

	For the Year Ended December 31	
	2014	2013
Subsidies	$ -	$ 18,213
Others	56,015	69,901
	$ 189,078	$ 196,429

(Concluded)

b. Other gains and losses

	For the Year Ended December 31	
	2014	2013
Gain on disposal of property, plant and equipment	$ 12,875	$ 1,049
Gain on sale of available-for-sale financial assets	92,985	74,509
Net foreign exchange gain (loss)	(10,017)	137,130
Loss on financial assets designated as at FVTPL	(1,761)	(3,285)
Other losses	(8,856)	(10,018)
	$ 85,226	$ 199,385

c. Financial costs

	For the Year Ended December 31	
	2014	2013
Interest on bank loans	$ 98,788	$ 78,696
Syndicated loan fee amortization	1,200	1,200
Discount on bonds payable amortization	5,871	-
Others	1,412	669
	$ 107,271	$ 80,565

d. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
Property, plant and equipment	$ 77,871	$ 73,665
Intangible assets	20,479	11,392
	$ 98,350	$ 85,057
An analysis of depreciation by function		
Operating costs	$ 409	$ 372
Operating expenses	77,462	73,293
	$ 77,871	$ 73,665
An analysis of amortization by function		
Operating expenses	$ 20,479	$ 11,392

e. Employee benefits expense (recognized in operating expenses)

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	$ 1,172,845	$ 1,046,862
Post-employment benefits (Note 20)		
Defined contribution plans	36,660	35,125
Defined benefit plans	12,981	21,158
	49,641	56,283
	$ 1,222,486	$ 1,103,145

23. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of the current year	$ 248,895	$ 262,354
Additional 10% income tax on unappropriated earnings	35,915	30,454
In respect of prior periods	22,599	20,092
Others	2,985	6,233
	310,394	319,133
Deferred tax		
In respect of the current year	88,883	80,643
Income tax expense recognized in profit or loss	$ 399,277	$ 399,776

The reconciliation of accounting profit and current income tax expenses was as follows:

	For the Year Ended December 31	
	2014	2013
Profit before income tax	$ 1,763,324	$ 1,638,799
Income tax expense at the statutory rate of the Group	$ 386,942	$ 362,651
Tax effect of adjusting items		
Nondeductible expenses	7,354	13,031
Dividend income, etc.	(19,346)	(17,836)
Deferred tax on undistributed earnings from associates	(100,130)	(89,974)
Deferred tax on undistributed earnings from subsidiaries	85,397	82,290
Realized investment losses	(5,802)	-
Others	(16,637)	(7,165)
Additional income tax on unappropriated earnings	35,915	30,454
Current adjustments for prior years' tax	22,599	20,092
Others	2,985	6,233
Income tax expense recognized in profit or loss	$ 399,277	$ 399,776

The Corporation applied the statutory income tax rate at 17%. The overseas subsidiaries followed the local regulatory income tax rate as follows:

	For the Year Ended December 31	
	2014	2013
Raycong	16.5%	16.5%
Shanghai Yikang	25%	25%
Dong Guan Hua Gang	25%	25%
Wah Lee Japan	40%	40%
Wah Lee Tech	17%	17%
Skypower	20%	20%
Regent King	16.5%	NA

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 expense recognized in other comprehensive income

	For the Year Ended December 31	
	2014	2013
Deferred tax		
Actuarial gains and losses on defined benefit plan	$ 667	$ (2,609)
Translation of foreign operations	(20,789)	(37,684)
	$ (20,122)	$ (40,293)

c. Current tax assets and liabilities

	December 31	
	2014	2013
Current tax assets		
Tax refund receivable	$ -	$ 1,382
Current tax liabilities		
Income tax payable	$ 147,820	$ 170,787

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

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Provision for loss on Inventories	$ 31,880	$ (4,624)	$ -	$ 649	$ 27,905
Unpaid bonuses	34,623	12,868	-	349	47,840
Unrealized management and consulting expenses	14,553	(129)	-	518	14,942

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Intercompany unrealized gains	$ 6,669	$ (936)	$ -	$ -	$ 5,733
Provision	6,696	3,806	-	-	10,502
Defined benefit obligation	44,399	2,035	667	115	47,216
Payable for annual leave	4,372	-	-	21	4,393
Doubtful debts	8,226	(6,676)	-	50	1,600
Others	791	1,135	-	58	1,984
	$ 152,209	$ 7,479	$ 667	$ 1,760	$ 162,115
Deferred Tax Liabilities					
Temporary differences					
Foreign income accounted for using equity method	$ 531,503	$ 88,404	$ -	$ 980	$ 620,887
Exchange difference on foreign operations	50,628	-	20,789	-	71,417
Provision for land value increment	8,894	-	-	-	8,894
Unrealized foreign exchange gains	2,415	2,940	-	-	5,355
Others	916	5,018	-	218	6,152
	$ 594,356	$ 96,362	$ 20,789	$ 1,198	$ 712,705

(Concluded)

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred Tax Assets					
Temporary differences					
Provision for loss on Inventories	$ 31,796	$ (473)	$ -	$ 557	$ 31,880
Unpaid bonuses	16,814	17,809	-	-	34,623
Unrealized management and consulting expenses	18,567	(5,121)	-	1,107	14,553
Intercompany unrealized gains	5,846	823	-	-	6,669
Provision	5,544	1,152	-	-	6,696
Defined benefit obligation	46,729	264	(2,609)	15	44,399
Payable for annual leave	4,347	-	-	25	4,372
Doubtful debts	10,419	(2,706)	-	513	8,226
Others	4,599	(3,934)	-	126	791
	$ 144,661	$ 7,814	$ (2,609)	$ 2,343	$ 152,209
Deferred Tax Liabilities					
Temporary differences					
Foreign income accounted for using equity method	$ 444,309	$ 86,063	$ -	$ 1,131	$ 531,503
Exchange difference on foreign operations	12,944	-	37,684	-	50,628
Provision for land value increment	8,894	-	-	-	8,894
Others	889	2,394	-	48	3,331
	$ 467,036	$ 88,457	$ 37,684	$ 1,179	$ 594,356

e. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets.

	December 31 2014	December 31 2013
Deductible temporary differences		
Impairment of foreign investments	$ 139,541	$ 173,668

f. Integrated income tax

As of December 31, 2014 and 2013, all of the unappropriated earnings were generated after January 1, 1998.

	December 31	
	2014	**2013**
Imputation credit account	$ 591,056	$ 534,051

	For the Year Ended December 31	
	2014 (Expected)	**2013 (Actual)**
The creditable ratio for distribution of earnings (%)	16.49	18.78

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credit allocated to ROC resident shareholders of the Corporation is calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credit allocated to shareholders of the Corporation is based on the balance of the Imputation Credit Account (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credit to the shareholders.

g. Income tax assessments

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

24. EARNINGS PER SHARE (EPS)

Earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net profit for the year attributable to the Corporation's shareholders

	For the Year Ended December 31	
	2014	**2013**
Basic EPS		
Net profit for the year attributable to common shareholders	$ 1,273,607	$ 1,159,458
Effect of dilutive potential ordinary shares		
Convertible bonds	5,871	-
Earnings used in the computation of diluted earnings per share	$ 1,279,478	$ 1,159,458

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

	For the Year Ended December 31	
	2014	**2013**
Weighted average number of ordinary shares outstanding used in computation of basic earnings per share	231,390	231,390

(Continued)

	For the Year Ended December 31	
	2014	2013
Effect of dilutive potential ordinary shares		
Convertible bonds	4,804	-
Bonus shares issued to employees	6,496	5,432
Weighted average number of ordinary shares outstanding used in computation of diluted earnings per share	242,690	236,822

(Concluded)

When the Corporation computed the diluted earnings per share, except the effect of dilutive convertible bonds, if the Group can settle the bonus to employees in cash or shares, the Group assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are 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 is 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.

25. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of warehouses with lease terms of up to 10 years that will expire on March 31, 2015; the Corporation has signed new lease terms to March 31, 2017. The Corporation does not have a bargain purchase option to acquire the leased warehouses at the expiry of the lease periods.

As of December 31, 2014 and 2013, refundable deposits paid under operating leases were both $3,500 thousand.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2014	2013
Not later than 1 year	$ 14,539	$ 15,860
Later than 1 year and not later than 5 years	19,825	2,643
	$ 34,364	$ 18,503

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2014	2013
Minimum lease payment	$ 15,105	$ 15,105

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure entities in the Group will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

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

The key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

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

27. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

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

Except the item listed in the following table, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as the approximate amounts of their fair values.

	Book value	Fair value
December 31, 2014		
Financial liabilities measured at amortized cost		
Convertible bonds	$ 977,877	$ 985,300

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:

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

- 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

- 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).

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Available-for-sale financial assets				
Securities listed in the ROC	$ 124,584	$ -	$ -	$ 124,584
Unlisted securities	-	14,081	458,231	472,312

(Continued)

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 135,354	$ -	$ -	$ 135,354
Securities listed in other countries	43,945	-	-	43,945
	$ 303,883	$ 14,081	$ 458,231	$ 776,195
Financial Liabilities at FVTPL				
Derivative financial liabilities held for trading (not under hedge accounting)	$ -	$ 1,761	$ -	$ 1,761
December 31, 2013				
Available-for-sale financial assets				
Securities listed in the ROC	$ 274,711	$ -	$ -	$ 274,711
Unlisted securities	-	9,744	160,263	170,007
Mutual funds	108,718	-	-	108,718
Securities listed in other countries	46,242	-	-	46,242
	$ 429,671	$ 9,744	$ 160,263	$ 599,678

(Concluded)

There were no transfers between Level 2 and Level 3 for the years ended December 31, 2014 and 2013.

3) Reconciliation of Level 3 fair value measurements of financial assets

	December 31	
	2014	2013
Available-for-sale financial assets		
Unlisted securities		
Balance, beginning of year	$ 160,263	$ 135,700
Valuation gain recognized in other comprehensive income	2,968	2,345
Purchases	295,000	22,218
Balance, end of year	$ 458,231	$ 160,263

All gains and losses included in other comprehensive income relate to unlisted shares held at each balance sheet date and were reported as changes in unrealized gain or loss on available-for-sale financial assets (refer to Note 21).

4) 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) When 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.

Quoted shares

Financial assets in this category included listed shares and emerging market shares with active market, etc.

Derivatives

Foreign currency forward contracts were measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Unlisted shares

The consolidated financial statements included holdings in unlisted shares which were measured at fair value. Fair value was determined by reference to observable market prices or book values.

Convertible bonds

The fair value of the liability component of convertible bonds was estimated using binary tree convertible bonds evaluation model of stock price volatility, risk-free interest rate, the discount rate risk and liquidity risk, etc.

b. Categories of financial instruments

	December 31	
	2014	**2013**
Financial assets		
Loans and receivables (i)	$ 15,082,700	$ 13,517,828
Available-for-sale financial assets	776,195	599,678
Financial liabilities		
FVTPL - Held for trading	1,761	-
At amortized cost (ii)	14,484,223	12,343,115

i. The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, other financial assets, notes and accounts receivable (including related parties), other receivables (including related parties) and refundable deposits .

ii. The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payable (including related parties), other payables, long-term loans (including current portion), bonds payable and deposits received .

c. Financial risk management objectives and policies

The Group’s major financial instruments included equity investment, notes and accounts receivable, notes and accounts payable, bonds payable, bank loans etc. The Group’s Corporate Treasury function provides services to the business units and monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities expose it primarily to the financial risks as follows:

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

The following table details the Group's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the relevant foreign currencies. A change of 1% is the sensitivity range 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 external deposits and loans, receivables and payables. A positive number below indicates an increase in pre-tax profit assuming NTD strengthened by 1% against the relevant currency. For a 1% weakening of NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative (positive).

	Foreign Currency Impact	
	For the Year Ended December 31	
	2014	**2013**
USD	$ 20,004	$ 14,462
RMB	(5,895)	(12,452)

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

	December 31	
	2014	**2013**
Cash flow interest rate risk		
Financial assets	$ 2,866,694	$ 2,799,943
Financial liabilities	4,695,497	4,069,343

The Group's fair value interest rate risk with respect to fixed rate time deposits and short-term loans were not significant.

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for 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 years ended December 31, 2014 and 2013. A change of 1% increase or decrease was used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% 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 have been lower/higher by $18,288 thousand and $12,694 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities and mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk was mainly concentrated on technology-related listed stocks in Taiwan.

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 1% higher/lower, the other comprehensive income for the year ended December 31, 2014 would have been higher/lower by $7,762 thousand as a result of changes in fair value of available-for-sale investments.

If equity prices had been 1% higher/lower, the other comprehensive income for the year ended December 31, 2013 would have been higher/lower by $5,997 thousand as a result of changes in fair value of available-for-sale investments.

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 to discharge an obligation by the counterparties and enforcement of financial guarantees provided by the Group could comprise the following:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and 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 credit exposure is controlled by setting credit limits of counterparties annually.

The concentration of credit risk was limited due to the fact that the customer base was large and unrelated.

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 overdraft and bank loan facilities of $3,900,371 thousand and $3,067,557 thousand, respectively.

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

The following tables detail 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.

To the extent that interest flows are at floating rate, the undiscounted amount was estimated by the interest rate at the end of the reporting period.

	Less than 3 Months	3-12 Months	1-3 Years	3+ Years	Total
December 31, 2014					
Non-derivative financial liabilities					
Non-interest bearing	$ 4,968,245	$ 1,767,455	$ 3,254	$ -	$ 6,738,954
Variable interest rate liabilities	3,810,799	679,889	214,220	-	4,704,908
Fixed interest rate liabilities	1,822,796	101,847	1,000,000	-	2,924,643
Financial guarantee contracts	852,402	-	-	-	852,402
	$ 11,454,242	$ 2,549,191	$ 1,217,474	$ -	$ 15,220,907
December 31, 2013					
Non-derivative financial liabilities					
Non-interest bearing	$ 4,937,676	$ 1,443,784	$ 4,652	$ -	$ 6,386,112
Variable interest rate liabilities	1,760,752	556,355	1,720,400	107,723	4,145,230
Fixed interest rate liabilities	1,585,479	152,937	-	-	1,738,416
Financial guarantee contracts	821,390	-	-	-	821,390
	$ 9,105,297	$ 2,153,076	$ 1,725,052	$ 107,723	$ 13,091,148

The amounts included above for financial guarantee contracts were the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers it is more likely than not that no amount will be payable under the arrangement.

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

28. RELATED PARTY TRANSACTIONS

Balances and transactions between and among the entities in the Group had been eliminated on consolidation and not disclosed in this note. Except as disclosed in other notes, details of the transactions between the Group and other related parties are disclosed below.

a. Operating transactions

1) Sales of goods

	For the Year Ended December 31	
	2014	**2013**
Related parties types		
Associates and their subsidiaries	$ 288,917	$ 190,030
Other related parties	43,197	31,196
	$ 332,114	$ 221,226

The other related parties above included the chairman's relatives and the companies that have the Corporation as institutional director.

The selling prices and collection terms of sales to related parties were similar to third parties.

2) Purchase of goods

	For the Year Ended December 31	
	2014	**2013**
Related parties types		
Associates and their subsidiaries	$ 509,452	$ 419,117
Other related parties	1,131,822	1,068,393
	$ 1,641,274	$ 1,487,510

The prices of purchases from related parties were made under arm's length terms and did not have similar transactions in the market for comparison; payment terms were similar to third parties.

3) Commission income and expenses

	Commission Income	**Commission Expenses**
For the year ended December 31, 2014		
Associates	$ 6,544	$ -
Other related parties	-	2,220
	$ 6,544	$ 2,220

(Continued)

	Commission Income	Commission Expenses
For the year ended December 31, 2013		
Associates	$ 9,953	$ -
Other related parties	-	2,434
	$ 9,953	$ 2,434

(Concluded)

4) Receivables from related parties

	December 31	
	2014	2013
Notes receivable		
Associates and their subsidiaries	$ 3,200	$ 1,069
Accounts receivable - related parties		
Associates and their subsidiaries	$ 79,692	$ 56,765
Other related parties	6,379	3,720
	$ 86,071	$ 60,485
Other receivables - related parties		
Associates and their subsidiaries	$ 3,531	$ 2,940
Other related parties	21	9
	$ 3,552	$ 2,949

The outstanding trade receivables from related parties are unsecured.

5) Payables to related parties

	December 31	
	2014	2013
Notes payable - related parties		
Associates and their subsidiaries	$ 288	$ 765
Other related parties	232,306	231,429
	$ 232,594	$ 232,194
Accounts payable - related parties		
Associates and their subsidiaries	$ 103,938	$ 101,318
Other related parties	125,374	132,631
	$ 229,312	$ 233,949

The outstanding payables to related parties are unsecured and will be settled in cash.

b. Management consulting service income

The management services agreements, industry consulting and SAP-use contracts were signed by the Corporation and related parties, and the contracts will expire on various dates with December 31, 2015 as the latest. According to the agreements and contracts, the Corporation will provide certain management services to related parties. Consulting and service fee recognized as nonoperating income was as follows:

	For the Year Ended December 31	
	2014	**2013**
Associates and their subsidiaries	$ 6,981	$ 12,181

c. Rental Income

The Corporation rented parts of buildings and computer software to related parties. The leases on the buildings will expire on various dates with August 31, 2015 as the latest, and the lease on computer software expired in December 2014. The rental income was as follows:

	For the Year Ended December 31	
	2014	**2013**
Related Parties Types		
Associates	$ 4,728	$ 4,194
Other related parties	24	24
	$ 4,752	$ 4,218

d. Endorsements and guarantees and related fee income

1) Endorsements and guarantees

	December 31	
	2014	**2013**
Related Parties Types		
Associates and their subsidiaries	$ 1,037,835	$ 1,087,710
Other related parties	25,194	25,194
	$ 1,063,029	$ 1,112,904

2) Fee income from endorsements and guarantees

	For the Year Ended December 31	
	2014	**2013**
Related Parties Types		
Associates	$ 564	$ 692
Other related parties	29	22
	$ 593	$ 714

e. Compensation of key management personnel

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

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	$ 98,980	$ 90,909
Post-employment benefits	3,171	2,664
Other long-term employee benefits	322	322
	$ 102,473	$ 93,895

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

29. ASSETS PLEDGED AS COLLATERAL

The Group provided the following assets as collaterals for part of short-term loans and long-term loans, commitments to vendors, and guarantee for payment of tariffs on imported merchandise.

	December 31	
	2014	2013
Other financial assets (classified as other noncurrent assets)		
Pledge deposits	$ 11,223	$ 320
Property, plant and equipment		
Freehold land	127,309	274,672
Buildings	188,990	218,270
Machinery and equipment	295,354	-
Notes receivable	95,636	-
	$ 718,512	$ 493,262

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group at each balance sheet date were as follows:

a. The Group had unused letters of credit for purchase of merchandise as follows:

	December 31	
	2014	2013
USD	$ 23,563	$ 13,562
JPY	25,560	13,860
NTD	82,323	67,559

b. Unrecognized commitments were as follows:

	December 31	
	2014	**2013**
Acquisition of property, plant and equipment	$ 308,932	$ 377,790

As of December 31, 2014, the contracts related to purchase of lands and buildings are as follows:

On September 28, 2012, the subsidiary - Wah Lee Tech entered a contract with third parties for purchase of land and buildings located in Singapore for operation purpose. The total amount of the contract is $112,328 thousand (SGD4,692 thousand). As of December 31, 2014, the amount paid to the third parties was $114,474 thousand (SGD4,656 thousand) and was recognized as prepayment for land and buildings. The future payments will be made according to the construction progress and the completion date is estimated as June 30, 2019.

On December 8 and 17, 2014, the subsidiary - Sakuragawa Solar entered contracts with third parties for purchase of land and to build solar power plant in Japan. The total amount of the contracts is $162,269 thousand (JPY613,259 thousand). As of December 31, 2014, the amount paid to the third parties was $42,826 thousand (JPY161,852 thousand) and was recognized as construction in progress. The future payment will be made according to the construction progress and the completion date is estimated as July 31, 2015.

On December 12 and 19, 2014, the subsidiary - Okayama Solar entered contracts with third parties for purchase of land and to build solar power plant in Japan. The total amount of the contracts is $241,352 thousand (JPY912,140 thousand). As of December 31, 2014, the amount paid to the third parties was $52,716 thousand (JPY199,228 thousand) and was recognized as construction in progress. The future payment will be made according to the construction progress and the completion date is estimated as August 31, 2015.

c. The Corporation offered financial guarantees for related parties as stated in Note 28.

31. EXCHANGE RATE INFORMATION OF FOREIGN CURRENCY FINANCIAL ASSETS AND LIABILITIES

The Group's significant financial assets and financial liabilities denominated in foreign currencies were as follows (amounts are in thousands, except exchange rate):

	Foreign Currencies	**Exchange Rate**		**Carrying Amount**
December 31, 2014				
Monetary financial assets				
USD	$ 168,317	31.65	(USD:NTD)	$ 5,327,248
USD	31,290	7.8	(USD:HKD)	990,337
USD	18,619	6.204	(USD:RMB)	589,297
RMB	127,548	5.1015	(RMB:NTD)	650,685
RMB	69,111	1.25031	(RMB:HKD)	352,568
JPY	875,285	0.2646	(JPY:NTD)	231,600
JPY	394,516	0.0648	(JPY:HKD)	104,389
JPY	106,619	0.05189	(JPY:RMB)	28,211
HKD	190	0.7998	(HKD:RMB)	776

(Continued)

	Foreign Currencies	Exchange Rate		Carrying Amount
Monetary financial liabilities				
USD	$ 167,428	31.65	(USD:NTD)	$ 5,299,083
USD	20,995	7.8	(USD:HKD)	664,476
USD	93,627	6.204	(USD:RMB)	2,963,301
RMB	5,107	1.25031	(RMB:HKD)	26,053
JPY	1,294,914	0.2646	(JPY:NTD)	342,634
JPY	278,664	0.0648	(JPY:HKD)	73,735
JPY	149,343	0.05189	(JPY:RMB)	39,516
HKD	5	0.7998	(HKD:RMB)	22
December 31, 2013				
Monetary financial assets				
USD	149,540	29.805	(USD:NTD)	4,457,030
USD	32,412	7.8	(USD:HKD)	966,040
USD	18,591	6.052	(USD:RMB)	554,105
RMB	160,388	4.9248	(RMB:NTD)	789,881
RMB	97,985	1.2815	(RMB:HKD)	482,556
JPY	991,865	0.2839	(JPY:NTD)	281,590
JPY	163,742	0.0738	(JPY:HKD)	46,486
JPY	96,626	0.0577	(JPY:RMB)	27,432
HKD	190	0.7862	(HKD:RMB)	730
Monetary financial liabilities				
USD	142,718	29.805	(USD:NTD)	4,253,712
USD	29,539	7.8	(USD:HKD)	880,410
USD	76,808	6.052	(USD:RMB)	2,289,262
RMB	5,522	1.2815	(RMB:HKD)	27,195
JPY	1,286,014	0.2839	(JPY:NTD)	365,100
JPY	67,756	0.0738	(JPY:HKD)	19,236
JPY	40,559	0.0577	(JPY:RMB)	11,515
HKD	133	0.7862	(HKD:RMB)	511

(Concluded)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is distinguished by operating area and categories of merchandise and service. The Group's reportable segments were as follows:

- Wah Lee Industrial Corporation ("Wah Lee") is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, and computer related manufacturing materials and equipment.

- Raycong Industrial (H.K.) Ltd. and its subsidiary Dong Guan Hua Gang International Trading Co., Ltd. ("Raycong") are mainly engaged in the trade of engineering plastic, composite materials and equipment.

- Shanghai Yikang Chemicals and Industrials Co., Ltd. ("Shanghai Yikang") is mainly engaged in trade of manufacturing materials and import/export business.

- Others - Other subsidiaries which were below the quantitative threshold were not listed as reportable segments. Please refer to Note 4 for details.

Segment revenues and results

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

	Wah Lee	Raycong	Shanghai Yikang	Others	Adjustment and Elimination	Total
For the year ended December 31, 2014						
Revenues from external customers	$ 25,249,848	$ 6,976,783	$ 6,564,745	$ 1,109,374	$ -	$ 39,900,750
Inter-segment revenues	3,215,342	108,867	132,341	478,802	(3,935,352)	-
Segment revenues	$ 28,465,190	$ 7,085,650	$ 6,697,086	$ 1,588,176	$ (3,935,352)	$ 39,900,750
Segment operating income	$ 503,975	$ 352,689	$ 349,623	$ 57,751	$ -	$ 1,264,038
Other income	62,081	30,446	95,015	1,536	-	189,078
Other gains and losses	146,109	(42,577)	(20,176)	1,870	-	85,226
Financial costs	(62,736)	(19,507)	(17,560)	(7,468)	-	(107,271)
Profit before income tax	649,429	321,051	406,902	53,689	-	1,431,071
Income tax expense	(226,771)	(64,647)	(102,228)	(5,631)	-	(399,277)
Net profit after tax	$ 422,658	$ 256,404	$ 304,674	$ 48,058	$ -	1,031,794
Share of profit or loss of associates						332,253
Consolidated net profit						$ 1,364,047
Identifiable assets	$ 12,041,582	$ 4,913,281	$ 4,812,115	$ 1,539,362	$ (1,330,888)	$ 21,975,452
Goodwill						32,810
Investment accounted for using equity method						4,300,428
Total assets						$ 26,308,690
Total liabilities	$ 10,906,087	$ 2,395,485	$ 2,280,256	$ 865,880	$ (652,154)	$ 15,795,554
For the Year ended December 31, 2013						
Revenues from external customers	$ 21,897,473	$ 6,019,301	$ 5,564,784	$ 916,840	$ -	$ 34,398,398
Inter-segment revenues	3,065,358	56,198	82,483	89	(3,204,128)	-
Segment revenues	$ 24,962,831	$ 6,075,499	$ 5,647,267	$ 916,929	$ (3,204,128)	$ 34,398,398
Segment operating income	$ 464,562	$ 273,410	$ 268,754	$ 12,062	$ -	$ 1,018,788
Other income	66,332	33,497	93,043	3,557	-	196,429
Other gains and losses	151,541	31,518	15,990	336	-	199,385
Financial costs	(48,589)	(16,004)	(13,612)	(2,360)	-	(80,565)
Profit before income tax	633,846	322,421	364,175	13,595	-	1,334,037
Income tax expense	(226,491)	(60,419)	(109,084)	(3,782)	-	(399,776)
Net profit after tax	$ 407,355	$ 262,002	$ 255,091	$ 9,813	$ -	934,261
Share of profit or loss of associates						304,762
Consolidated net profit						$ 1,239,023
Identifiable assets	$ 10,547,898	$ 3,795,229	$ 4,377,781	$ 1,093,638	$ (726,858)	$ 19,087,688
Goodwill						31,654
Investment accounted for using equity method						4,007,683
Total assets						$ 23,127,025
Total liabilities	$ 9,117,394	$ 2,127,040	$ 2,309,444	$ 608,911	$ (691,492)	$ 13,471,297

The accounting policies adopted for the segments of the Group did not have significant differences with Note 4.

Segment profit represented the profit before tax earned by each segment without share of profits of associates. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. For the purpose of monitoring segment performance and allocating resources between segments, all assets were allocated to reportable segments other than interests in associates accounted for using the equity method.

b. Other segment information

	Depreciation and amortization		Noncurrent assets increase in the current year	
	For the year ended December 31		For the year ended December 31	
	2014	**2013**	**2014**	**2013**
Wah Lee Industrial	$ 44,519	$ 53,244	$ 279,718	$ 18,321
Shanghai Yikang	13,388	13,538	16,295	37,939
Raycong	16,030	12,339	17,750	66,393
Others	24,413	5,936	216,937	365,800
	$ 98,350	$ 85,057	$ 530,700	$ 488,453

c. Revenue from major products and services

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

	For the year ended December 31	
	2014	**2013**
IT Industry	$ 12,774,818	$ 11,965,676
Semiconductor Industry	8,916,065	6,041,368
Opto-electronics	5,536,484	4,493,977
PCB Industry	3,268,492	2,602,734
FPD Industry	7,634,103	7,646,639
Others	1,770,788	1,648,004
	$ 39,900,750	$ 34,398,398

d. Geographical information

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.

	Revenue from External Customers		Non-current Assets	
	Year Ended December 31		December 31	
	2014	**2013**	**2014**	**2013**
Taiwan	$ 16,931,122	$ 15,392,926	$ 1,001,416	$ 766,217
China	18,172,076	14,686,838	301,229	293,861
Others	4,797,552	4,318,634	659,427	469,644
	$ 39,900,750	$ 34,398,398	$ 1,962,072	$ 1,529,722

Non-current assets exclude non-current assets classified as post-employment benefit assets, financial instruments, deferred tax assets, and goodwill.

f. Information about major customers

No single customer contributed 10% or more of the Group’s revenue for both 2014 and 2013.