

**Phihong Technology Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2015 and 2014 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Phihong Technology Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Phihong Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 12 to the consolidated financial statements, long-term equity investments accounted for under the equity method for the three months ended March 31, 2015 and 2014 were based on unreviewed financial statements. As of March 31, 2015 and 2014, the aggregate balances of the Company's investments in its investees whose financial statements have not been reviewed by independent accountants amounted to \$305,017 thousand and \$327,848 thousand, respectively. For the three months ended March 31, 2015 and 2014, the Company's investment comprehensive income from such investments amounted to \$1,623 thousand and investment comprehensive loss \$1,785 thousand, respectively.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the long-term equity investments and investment comprehensive income of investees mentioned above been recognized based on reviewed financial statements, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

May 8, 2015

Notice to Readers

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

For the convenience of readers, the independent auditors’ review 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’ review report and consolidated financial statements shall prevail.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2015 (Reviewed)		December 31, 2014 (Audited)		March 31, 2014 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,606,952	15	\$ 2,152,834	19	\$ 1,712,912	16
Financial assets at fair value through profit or loss - current (Note 7)	371,600	4	194,796	2	46,618	-
Trade receivables (Note 9)	1,655,612	16	1,974,829	17	2,041,992	19
Other receivables	44,028	-	105,853	1	31,869	-
Inventories (Note 10)	1,732,791	16	1,636,308	14	1,863,910	17
Prepayment for lease (Note 16)	4,012	-	4,078	-	3,932	-
Other current assets	119,852	1	152,411	1	430,518	4
Total current assets	<u>5,534,847</u>	<u>52</u>	<u>6,221,109</u>	<u>54</u>	<u>6,131,751</u>	<u>56</u>
NON-CURRENT ASSETS						
Financial assets measured at cost - non-current (Note 8)	84,410	1	84,410	1	99,945	1
Investments accounted for using equity method (Note 12)	305,017	3	303,394	3	327,848	3
Property, plant and equipment (Note 13)	4,262,826	40	4,529,550	40	4,025,614	37
Investment properties (Notes 4 and 14)	237,345	2	-	-	-	-
Intangible assets (Note 15)	42,481	-	45,803	-	45,654	-
Deferred tax assets (Notes 4 and 24)	49,360	-	43,611	-	47,423	-
Long-term prepayments for lease (Note 16)	157,744	1	161,372	1	158,664	1
Other non-current assets	64,701	1	61,843	1	183,423	2
Total non-current assets	<u>5,203,884</u>	<u>48</u>	<u>5,229,983</u>	<u>46</u>	<u>4,888,571</u>	<u>44</u>
TOTAL	<u>\$ 10,738,731</u>	<u>100</u>	<u>\$ 11,451,092</u>	<u>100</u>	<u>\$ 11,020,322</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term debt (Note 17)	\$ -	-	\$ -	-	\$ 582,970	6
Trade payable	2,002,066	19	2,246,205	19	2,124,484	19
Trade payables to related parties (Note 28)	85,495	1	99,517	1	111,995	1
Other payables (Note 19)	808,816	7	1,056,122	9	887,919	8
Current tax liabilities (Notes 4 and 24)	92,885	1	96,079	1	80,456	1
Current portion of long-term borrowings (Note 17)	-	-	-	-	133,333	1
Other current liabilities (Note 20)	90,336	1	92,235	1	94,301	1
Total current liabilities	<u>3,079,598</u>	<u>29</u>	<u>3,590,158</u>	<u>31</u>	<u>4,015,458</u>	<u>37</u>
NON-CURRENT LIABILITIES						
Bonds payable (Note 18)	1,435,189	13	1,429,189	12	-	-
Long-term borrowings (Note 17)	-	-	-	-	866,667	8
Deferred tax liabilities (Notes 4 and 24)	79,832	1	79,832	1	79,832	1
Accrued pension liabilities (Notes 4 and 21)	76,000	1	76,038	1	65,391	-
Other non-current liabilities	4,626	-	4,703	-	913	-
Total non-current liabilities	<u>1,595,647</u>	<u>15</u>	<u>1,589,762</u>	<u>14</u>	<u>1,012,803</u>	<u>9</u>
Total liabilities	<u>4,675,245</u>	<u>44</u>	<u>5,179,920</u>	<u>45</u>	<u>5,028,261</u>	<u>46</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)						
Common stock	2,776,884	26	2,776,884	24	2,771,639	25
Capital surplus	1,026,456	9	1,026,456	9	949,615	8
Retained earnings						
Legal reserve	1,098,401	10	1,098,401	10	1,083,147	10
Special reserve	230,859	2	230,859	2	230,859	2
Unappropriated earnings	710,696	7	839,463	7	859,428	8
Total retained earnings	<u>2,039,956</u>	<u>19</u>	<u>2,168,723</u>	<u>19</u>	<u>2,173,434</u>	<u>20</u>
Other equity						
Exchange differences on translating foreign operations	265,405	2	345,970	3	140,142	1
Unrealized loss on available-for-sale financial assets	(35,598)	-	(37,199)	-	(33,625)	-
Total other equity	<u>229,807</u>	<u>2</u>	<u>308,771</u>	<u>3</u>	<u>106,517</u>	<u>1</u>
Total equity attributable to owners of the Company	6,073,103	56	6,280,834	55	6,001,205	54
NON-CONTROLLING INTEREST	(9,617)	-	(9,662)	-	(9,144)	-
Total equity	<u>6,063,486</u>	<u>56</u>	<u>6,271,172</u>	<u>55</u>	<u>5,992,061</u>	<u>54</u>
TOTAL	<u>\$ 10,738,731</u>	<u>100</u>	<u>\$ 11,451,092</u>	<u>100</u>	<u>\$ 11,020,322</u>	<u>100</u>

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

(With Deloitte & Touche review report dated May 8, 2015)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2015		2014	
	Amount	%	Amount	%
NET SALES AND REVENUES (Note 28)	\$ 2,465,767	100	\$ 2,776,835	100
COST OF GOODS SOLD (Notes 10 and 28)	<u>2,226,323</u>	<u>90</u>	<u>2,385,168</u>	<u>86</u>
GROSS PROFIT	<u>239,444</u>	<u>10</u>	<u>391,667</u>	<u>14</u>
OPERATING EXPENSES				
Sales and marketing	148,556	6	158,182	6
General and administration	130,972	6	149,125	5
Research and development	<u>102,763</u>	<u>4</u>	<u>96,764</u>	<u>3</u>
Total operating expenses	<u>382,291</u>	<u>16</u>	<u>404,071</u>	<u>14</u>
LOSS FROM OPERATIONS	<u>(142,847)</u>	<u>(6)</u>	<u>(12,404)</u>	<u>-</u>
NONOPERATING INCOME (EXPENSES)				
Other income	28,247	1	30,993	1
Other gains and losses (Notes 8 and 23)	1,765	-	6,993	-
Finance costs	(6,832)	-	(4,372)	-
Share of the profit of associates (Note 12)	<u>22</u>	<u>-</u>	<u>5,412</u>	<u>-</u>
Total nonoperating income	<u>23,202</u>	<u>1</u>	<u>39,026</u>	<u>1</u>
(LOSS) INCOME BEFORE INCOME TAX	(119,645)	(5)	26,622	1
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(9,204)</u>	<u>-</u>	<u>(20,664)</u>	<u>(1)</u>
NET (LOSS) INCOME	<u>(128,849)</u>	<u>(5)</u>	<u>5,958</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 22)	(80,438)	(3)	66,678	2
Share of the other comprehensive income of associates (Note 22)	<u>1,601</u>	<u>-</u>	<u>(7,197)</u>	<u>-</u>
Total other comprehensive (loss) income	<u>(78,837)</u>	<u>(3)</u>	<u>59,481</u>	<u>2</u>
TOTAL COMPREHENSIVE (LOSS) INCOME	<u>\$ (207,686)</u>	<u>(8)</u>	<u>\$ 65,439</u>	<u>2</u>

(Continued)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	Three Months Ended March 31			
	2015		2014	
	Amount	%	Amount	%
NET (LOSS) INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ (128,767)	(5)	\$ 6,060	-
Non-controlling interests	<u>(82)</u>	<u>-</u>	<u>(102)</u>	<u>-</u>
	<u>\$ (128,849)</u>	<u>(5)</u>	<u>\$ 5,958</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) INCOME				
ATTRIBUTABLE TO:				
Owner of the Company	\$ (207,731)	(8)	\$ 65,725	2
Non-controlling interests	<u>45</u>	<u>-</u>	<u>(286)</u>	<u>-</u>
	<u>\$ (207,686)</u>	<u>(8)</u>	<u>\$ 65,439</u>	<u>2</u>
(LOSS) EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ (0.46)</u>		<u>\$ 0.02</u>	
Diluted			<u>\$ 0.02</u>	

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

(With Deloitte & Touche review report dated May 8, 2015)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company									
	Equity Attributable to Owners of the Company					Other Equity		Total	Non-controlling Interest	Total Equity
	Share Capital Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2014	\$ 2,771,639	\$ 949,615	\$ 1,083,147	\$ 230,859	\$ 853,368	\$ 73,280	\$ (26,428)	\$ 5,935,480	\$ (8,858)	\$ 5,926,622
Net income (loss) for the three months ended March 31, 2014	-	-	-	-	6,060	-	-	6,060	(102)	5,958
Other comprehensive income (loss) for the three months ended March 31, 2014, net of income tax	-	-	-	-	-	66,862	(7,197)	59,665	(184)	59,481
Total comprehensive income (loss) for the three months ended March 31, 2014	-	-	-	-	6,060	66,862	(7,197)	65,725	(286)	65,439
BALANCE, MARCH 31, 2014	<u>\$ 2,771,639</u>	<u>\$ 949,615</u>	<u>\$ 1,083,147</u>	<u>\$ 230,859</u>	<u>\$ 859,428</u>	<u>\$ 140,142</u>	<u>\$ (33,625)</u>	<u>\$ 6,001,205</u>	<u>\$ (9,144)</u>	<u>\$ 5,992,061</u>
BALANCE, JANUARY 1, 2015	\$ 2,776,884	\$ 1,026,456	\$ 1,098,401	\$ 230,859	\$ 839,463	\$ 345,970	\$ (37,199)	\$ 6,280,834	\$ (9,662)	\$ 6,271,172
Net loss for the three months ended March 31, 2015	-	-	-	-	(128,767)	-	-	(128,767)	(82)	(128,849)
Other comprehensive (loss) income for the three months ended March 31, 2015, net of income tax	-	-	-	-	-	(80,565)	1,601	(78,964)	127	(78,837)
Total comprehensive (loss) income for the three months ended March 31, 2015	-	-	-	-	(128,767)	(80,565)	1,601	(207,731)	45	(207,686)
BALANCE, MARCH 31, 2015	<u>\$ 2,776,884</u>	<u>\$ 1,026,456</u>	<u>\$ 1,098,401</u>	<u>\$ 230,859</u>	<u>\$ 710,696</u>	<u>\$ 265,405</u>	<u>\$ (35,598)</u>	<u>\$ 6,073,103</u>	<u>\$ (9,617)</u>	<u>\$ 6,063,486</u>

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

(With Deloitte & Touche review report dated May 8, 2015)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income before income tax	\$ (119,645)	\$ 26,622
Adjustments for :		
Reversal of impairment loss on trade receivables	(1,461)	(200)
Depreciation expense	97,160	105,352
Amortization expense	5,092	4,416
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(3,989)	-
Finance costs	6,832	4,372
Interest income	(5,166)	(3,040)
Share of the loss of associates	(22)	(5,412)
(Gain) loss on disposal of property, plant and equipment	(3,873)	1,759
Impairment loss of financial assets measured at cost	-	11,200
Net changes in operating assets and liabilities		
Trade receivable	320,678	(74,972)
Other receivables	62,083	943
Inventories	(96,483)	(157,846)
Other current assets	32,559	(94,028)
Trade payable	(244,139)	98,337
Trade payable to related parties	(14,022)	2,084
Other payables	(243,783)	(144,362)
Other current liabilities	(1,899)	(10,940)
Reserve for retirement plan	(38)	205
Cash used in operating activities	(210,116)	(235,510)
Interest paid	(596)	(3,836)
Interest received	4,908	2,835
Income tax paid	(18,147)	(26,654)
Net cash used in operating activities	<u>(223,951)</u>	<u>(263,165)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(172,815)	-
Net loss on fair value change of financial assets designated as at fair value through profit or loss	-	4,073
Payments for property, plant and equipment	(136,047)	(109,524)
Proceeds from disposal of property, plant and equipment	7,132	10,304
Payments for intangible assets	(1,773)	(2,594)
Proceeds from disposal of intangible assets	696	-
Increase in refundable deposits	-	(4,827)
Decrease in refundable deposits	489	-
Increase in prepayments for equipment	(3,347)	(21,825)
Increase in pre-paid lease payments	-	(25,013)
Net cash used in investing activities	<u>(305,665)</u>	<u>(149,406)</u>

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debt	\$ -	\$ 482,970
Proceeds from long-term borrowings	-	200,000
Decrease in guarantee deposits received	<u>(77)</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(77)</u>	<u>682,970</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(16,189)</u>	<u>19,768</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(545,882)	290,167
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,152,834</u>	<u>1,422,745</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,606,952</u>	<u>\$ 1,712,912</u>

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

(With Deloitte & Touche review report dated May 8, 2015)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

Phihong Technology Co., Ltd. (“Phihong” or “the Company”), which was formerly known as Phihong Enterprise Co., Ltd. was incorporated on December 12, 1972 under the laws of the Republic of China (“ROC”). Under a resolution approved in the stockholders’ meeting in June 2003, Phihong changed its name to Phihong Technology Co., Ltd. Phihong primarily manufactures and sells AC/DC power adapters, charger bases, power supply modules, UPS (uninterruptible power supply) for computers, ballasts, etc.

In February 2000, Phihong was authorized to have its stocks trade on the over-the-counter (OTC) securities exchange in Taiwan. In September 2001, Phihong’s stocks were ceased to be OTC traded and Phihong later obtained authorization to have its stocks listed on the Taiwan Stock Exchange.

The functional currency of Phihong is New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 8, 2015.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version 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/or 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 associates 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 by 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. Refer to Note 27 for related disclosures.

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

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

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

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 plan, and also includes more extensive disclosures.

On the initial adoption of the revised IAS 19, the changes in cumulative employee benefit costs as of December 31, 2013, resulted from the retrospective adoption. However, there is no effect on total comprehensive income.

7) Amendments to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements. Refer to Note 27 for related disclosure.

8) Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”

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”.

9) 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 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.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

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

The impairment of financial assets

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

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

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

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

3) 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 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.

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.

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 will supersede 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:

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

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

8) 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.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. In addition, the amendments clarify that the offsetting disclosures are not explicitly required for all interim periods; however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 under specific conditions.

9) 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 IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of consolidation

See Note 11 for the detailed information of subsidiaries (including the percentage of ownership and main business).

c. Others

The same accounting policies of these consolidated financial statements have been followed as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2014, except for those described below.

1) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

2) Retirement benefit costs

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

3) Income taxes

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2014.

6. CASH AND CASH EQUIVALENTS

	March 31, 2015	December 31, 2014	March 31, 2014
Cash on hand	\$ 2,982	\$ 2,196	\$ 2,562
Checking accounts and demand deposits	1,159,253	1,662,626	1,575,360
Cash equivalent (investments with original maturities less than three months)			
Time deposits	444,717	448,037	134,990
Repurchase agreements collateralized by bonds	-	39,975	-
	<u>\$ 1,606,952</u>	<u>\$ 2,152,834</u>	<u>\$ 1,712,912</u>

The ranges of market rates of demand deposits, time deposits and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Demand deposits and time deposits	0.01%-4.00%	0.01%-3.25%	0.01%-3.30%
Repurchase agreements collateralized by bonds	-	0.58%	-

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Financial assets designated as at FVTPL</u>			
Guaranteed financial products	\$ -	\$ -	\$ 46,618
Mutual funds	<u>371,600</u>	<u>194,796</u>	<u>-</u>
	<u>\$ 371,600</u>	<u>\$ 194,796</u>	<u>\$ 46,618</u>

8. FINANCIAL ASSETS MEASURED AT COST

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Unlisted stocks</u>			
Bao-Dian Venture Capital Co., Ltd.	\$ 6,124	\$ 6,124	\$ 7,615
Yuan-Jing Venture Capital Co., Ltd.	11,366	11,366	18,410

(Continued)

	March 31, 2015	December 31, 2014	March 31, 2014
Han-Tong Venture Capital Co., Ltd.	\$ 48,396	\$ 48,396	\$ 48,396
Asiatech Taiwan Venture Fund	682	682	682
Yong-Li Investment Ltd.	2,442	2,442	9,442
TC-1 Culture Fund	<u>15,400</u>	<u>15,400</u>	<u>15,400</u>
	<u>\$ 84,410</u>	<u>\$ 84,410</u>	<u>\$ 99,945</u>

Classified according to financial assets

Available-for-sale financial assets	<u>\$ 84,410</u>	<u>\$ 84,410</u>	<u>\$ 99,945</u> (Concluded)
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Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore they were measured at cost less impairment at the end of reporting period.

The Company recognized an impairment loss of \$1,600 thousand, \$1,400 thousand, \$1,600 thousand and \$6,600 thousand on the investment Yuan-Jing Venture Capital Co., Ltd., Bao-Dian Venture Capital Co., Ltd., Han-Tong Venture Capital Co., Ltd. and TC-1 Culture Fund at March 31, 2014, which were presented under other gains and losses.

9. TRADE RECEIVABLE

	March 31, 2015	December 31, 2014	March 31, 2014
Trade receivable	\$ 1,665,707	\$ 1,986,375	\$ 2,055,392
Less: Allowance for doubtful accounts	<u>(10,095)</u>	<u>(11,546)</u>	<u>(13,400)</u>
	<u>\$ 1,655,612</u>	<u>\$ 1,974,829</u>	<u>\$ 2,041,992</u>

The average credit period for sales of goods was 30-70 days. In determining the recoverability of trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful accounts was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to credit risk level of the counterparties and an analysis of their current financial position.

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

The aging of receivables was as follows:

March 31, 2015

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue under 61 Days and Longer
Not overdue and not impaired	\$ 1,597,625	\$ 1,597,625	\$ -	\$ -
Not overdue but impaired	3,488	3,488	-	-
Overdue and not impaired	57,987	-	45,637	12,350
Overdue but impaired	<u>6,607</u>	<u>-</u>	<u>-</u>	<u>6,607</u>
	<u>\$ 1,665,707</u>	<u>\$ 1,601,113</u>	<u>\$ 45,637</u>	<u>\$ 18,957</u>

December 31, 2014

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue under 61 Days and Longer
Not overdue and not impaired	\$ 1,906,071	\$ 1,906,071	\$ -	\$ -
Not overdue but impaired	6,078	6,078	-	-
Overdue and not impaired	68,758	-	63,399	5,359
Overdue but impaired	<u>5,468</u>	<u>-</u>	<u>-</u>	<u>5,468</u>
	<u>\$ 1,986,375</u>	<u>\$ 1,912,149</u>	<u>\$ 63,399</u>	<u>\$ 10,827</u>

March 31, 2014

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue under 61 Days and Longer
Not overdue and not impaired	\$ 1,987,798	\$ 1,987,798	\$ -	\$ -
Not overdue but impaired	8,114	8,114	-	-
Overdue and not impaired	54,194	-	52,756	1,438
Overdue but impaired	<u>5,286</u>	<u>-</u>	<u>-</u>	<u>5,286</u>
	<u>\$ 2,055,392</u>	<u>\$ 1,995,912</u>	<u>\$ 52,756</u>	<u>\$ 6,724</u>

Movements in the allowance for doubtful accounts recognized on trade receivable were as follows:

	Individual Impairment Losses	Groups Impairment Losses	Total
Balance at January 1, 2014	\$ 4,482	\$ 8,943	\$ 13,425
Reversed of impairment loss on receivables	-	(200)	(200)
Effect of exchange rate changes	<u>-</u>	<u>175</u>	<u>175</u>
Balance at March 31, 2014	<u>\$ 4,482</u>	<u>\$ 8,918</u>	<u>\$ 13,400</u>

(Continued)

	Individual Impairment Losses	Groups Impairment Losses	Total
Balance at January 1, 2015	\$ 4,632	\$ 6,914	\$ 11,546
Reversed of impairment loss on receivables	-	(1,461)	(1,461)
Effect of exchange rate changes	<u>-</u>	<u>10</u>	<u>10</u>
Balance at March 31, 2015	<u>\$ 4,632</u>	<u>\$ 5,463</u>	<u>\$ 10,095</u> (Concluded)

As of March 31, 2015, December 31, 2014 and March 31, 2014, trade receivable of PHA in the amount of \$547,701 thousand, \$574,670 thousand and \$748,150 thousand, respectively, had been pledged to secure short-term debts (the amount was not used as of March 31, 2015, December 31, 2014 and March 31, 2014, respectively). See Note 29 to the consolidated financial statements.

10. INVENTORIES

	March 31, 2015	December 31, 2014	March 31, 2014
Raw materials	\$ 503,305	\$ 455,625	\$ 515,763
Work-in-process	237,232	139,988	249,508
Finished goods	317,737	351,294	437,004
Merchandise	<u>674,517</u>	<u>689,401</u>	<u>661,635</u>
	<u>\$ 1,732,791</u>	<u>\$ 1,636,308</u>	<u>\$ 1,863,910</u>

As of March 31, 2015, December 31, 2014 and March 31, 2014, allowance of inventory devaluation was \$347,402 thousand, \$348,768 thousand and \$330,122 thousand, respectively.

For the three months ended March 31, 2015 and 2014, the cost of inventories recognized as cost of goods sold was \$2,226,323 thousand and \$2,385,168 thousand, respectively. Provision for inventory devaluation and obsolescence in the amounts of \$3,336 thousand and \$5,416 thousand was included in the cost of goods sold for the three months ended March 31, 2015 and 2014, respectively.

11. SUBSIDIARIES

Investor	Investee	Main Business	Percentage of Ownership			Notes
			March 31, 2015	December 31, 2014	March 31, 2014	
Phihong	Phihong International Corp.	Makes investments	100.00	100.00	100.00	
	Phitek International Co., Ltd.	Makes investments	100.00	100.00	100.00	
	Ascent Alliance Ltd.	Makes investments	100.00	100.00	100.00	
	Phihong USA Corp. ("PHA")	Sells various power supplies	100.00	100.00	100.00	
	American Ballast Corp.	Sells various ballasts	100.00	100.00	100.00	
	Phihong Technology Japan Co., Ltd.	Sells power components	100.00	100.00	100.00	
	Guang-Lai Investment Co., Ltd.	Makes investments	100.00	100.00	100.00	
Phihong International Corp.	Phihong (Dongguan) Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	
	Phitek (Tianjin) Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	
	Phihong Electronics (Suzhou) Co., Ltd.	Manufactures various power supplies and ballasts	100.00	100.00	100.00	
	Value Dynamic Investment Ltd.	Makes investments	100.00	100.00	100.00	
	N-Lighten Technologies, Inc.	Makes investments	58.45	58.45	58.45	

(Continued)

Investor	Investee	Main Business	Percentage of Ownership			Notes
			March 31, 2015	December 31, 2014	March 31, 2014	
Value Dynamic Investment Ltd.	Yanghong Trade Co., Ltd.	Manufactures various lighting supplies	100.00	100.00	100.00	
N-Lighten Technologies, Inc.	N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	100.00	100.00	100.00	
Phihong Electronics (Suzhou) Co., Ltd.	Suzhou Xin Phihong Electronics Co., Ltd.	Manufactures and sells lighting supplies	-	-	89.88	*
Phitek International Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	
	Suzhou Xin Phihong Electronics Co., Ltd.	Manufactures and sells lighting supplies	-	-	10.12	*
Ascent Alliance Ltd.	Dongguan Shuang-Ying Electronics Co., Ltd.	Manufactures and sells electronic materials	100.00	100.00	100.00	
	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufactures and sells electronic materials and transformers	100.00	100.00	100.00	
Guang-Lai Investment Co., Ltd.	N-Lighten Technologies Inc.	Makes investments	19.78	19.78	19.78	

(Concluded)

* The Company was put into liquidation on July 2014.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Unlisted stocks</u>			
Hao-Xuan Venture Capital Co., Ltd.	\$ 28,773	\$ 28,773	\$ 40,208
H&P Venture Capital Co., Ltd.	129,367	129,367	137,642
Han-Yu Venture Capital Co., Ltd.	111,523	112,821	115,212
Spring City Resort Co., Ltd.	<u>35,354</u>	<u>32,433</u>	<u>34,786</u>
	<u>\$ 305,017</u>	<u>\$ 303,394</u>	<u>\$ 327,848</u>

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

	March 31, 2015	December 31, 2014	March 31, 2014
Hao-Xuan Venture Capital Co., Ltd.	24.67%	24.67%	24.67%
H&P Venture Capital Co., Ltd.	32.26%	32.26%	32.26%
Han-Yu Venture Capital Co., Ltd.	22.22%	22.22%	22.22%
Spring City Resort Co., Ltd.	25.33%	25.33%	25.33%
Phihong PWM Brasil Ltda.	60.00%	60.00%	60.00%
First International Computer Do Brasil Ltda.	33.85%	33.85%	33.85%

Phihong's investments in Brazil include 60% ownership interest of Phihong PWM Brasil Ltda. and 33.85% ownership interest of First International Computer Do Brasil Ltda. Additionally, Phihong PWM Brasil Ltda. also holds 21.15% ownership interest of First International Computer Do Brasil Ltda. The other 40% ownership interest of Phihong PWM Brasil Ltda. is held by the local management team. According to cooperation mode between the Company and the local management team and under Brazilian local laws, the Company has no controlling power over Phihong PWM Brasil Ltda. Because the recoverability of the investments in Phihong PWM Brasil Ltda. and First International Computer Do Brasil Ltda. is considered remote, the Company reduced the carrying value of both investments to zero.

The equity-method investees' financial statements for the three months ended March 31, 2015 and 2014, which had been used to determine the carrying amount of the Group's investments and the share of profit and other comprehensive income of associates, had not been reviewed.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2014	\$ 271,486	\$ 2,611,612	\$ 2,634,160	\$ 592,202	\$ 838,106	\$ 6,947,566
Additions	-	31,225	26,811	12,695	41,653	112,384
Disposals	-	-	(29,784)	(5,080)	-	(34,864)
Effect of foreign currency exchange differences	1,836	30,125	30,300	4,586	10,049	76,896
Others	-	4,835	-	2,122	(8,596)	(1,639)
Balance at March 31, 2014	<u>\$ 273,322</u>	<u>\$ 2,677,797</u>	<u>\$ 2,661,487</u>	<u>\$ 606,525</u>	<u>\$ 881,212</u>	<u>\$ 7,100,343</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2014	\$ -	\$ 978,713	\$ 1,546,586	\$ 435,275	\$ -	\$ 2,960,574
Disposals	-	-	(18,746)	(4,055)	-	(22,801)
Depreciation expense	-	25,892	63,767	15,693	-	105,352
Effect of foreign currency exchange differences	-	10,516	17,472	3,616	-	31,604
Balance at March 31, 2014	<u>\$ -</u>	<u>\$ 1,015,121</u>	<u>\$ 1,609,079</u>	<u>\$ 450,529</u>	<u>\$ -</u>	<u>\$ 3,074,729</u>
Carrying amounts at March 31, 2014	<u>\$ 273,322</u>	<u>\$ 1,662,676</u>	<u>\$ 1,052,408</u>	<u>\$ 155,996</u>	<u>\$ 881,212</u>	<u>\$ 4,025,614</u>
<u>Cost</u>						
Balance at January 1, 2015	\$ 273,316	\$ 2,646,765	\$ 2,790,361	\$ 641,978	\$ 1,501,003	\$ 7,853,423
Additions	-	-	13,560	28,054	90,861	132,475
Disposals	-	(3,284)	(59,100)	(8,141)	-	(70,525)
Effect of foreign currency exchange differences	(728)	(38,351)	(42,427)	(6,080)	(20,787)	(108,373)
Reclassified as investment properties	-	(316,050)	-	-	-	(316,050)
Others	-	-	-	24,842	(24,842)	-
Balance at March 31, 2015	<u>\$ 272,588</u>	<u>\$ 2,289,080</u>	<u>\$ 2,702,394</u>	<u>\$ 680,653</u>	<u>\$ 1,546,235</u>	<u>\$ 7,490,950</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2015	\$ -	\$ 1,058,335	\$ 1,787,751	\$ 477,787	\$ -	\$ 3,323,873
Disposals	-	(2,158)	(57,259)	(7,848)	-	(67,265)
Depreciation expense	-	18,842	59,791	15,535	-	94,168
Effect of foreign currency exchange differences	-	(14,871)	(26,307)	(5,165)	-	(46,343)
Reclassified as investment properties	-	(76,309)	-	-	-	(76,309)
Balance at March 31, 2015	<u>\$ -</u>	<u>\$ 983,839</u>	<u>\$ 1,763,976</u>	<u>\$ 480,309</u>	<u>\$ -</u>	<u>\$ 3,228,124</u>
Carrying amounts at December 31, 2014 and January 1, 2015	<u>\$ 273,316</u>	<u>\$ 1,588,430</u>	<u>\$ 1,002,610</u>	<u>\$ 164,191</u>	<u>\$ 1,501,003</u>	<u>\$ 4,529,550</u>
Carrying amounts at March 31, 2015	<u>\$ 272,588</u>	<u>\$ 1,305,241</u>	<u>\$ 938,418</u>	<u>\$ 200,344</u>	<u>\$ 1,546,235</u>	<u>\$ 4,262,826</u>

In 2015, some part of the Group's property, plant and equipment from production of goods or provision of services change into earn rental income and reclassified to investment properties, see Note 14.

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

Buildings	
Main building	50 years
Engineering system	10 years
Machinery and equipment	3-10 years
Other equipment	3-5 years

Refer to Note 29 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure long-term loans.

14. INVESTMENT PROPERTIES

Investment Properties Measured at Cost	Total
<u>Cost</u>	
Balance at January 1, 2015	\$ -
Transferred from property, plant and equipment	316,050
Effect of foreign currency exchange differences	<u>819</u>
Balance at March 31, 2015	<u>\$ 316,869</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2015	\$ -
Transferred from property, plant and equipment	76,309
Depreciation expense	2,992
Effect of foreign currency exchange differences	<u>223</u>
Balance at March 31, 2015	<u>\$ 79,524</u>
Carrying amounts at March 31, 2015	<u>\$ 237,345</u>

The investment properties were depreciated on a straight-line basis over the following estimated useful life:

Main buildings	30 years
Others	10 years

The management of the Group had used the valuation model that market participants would use in determining the fair value, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The evaluation results of the fair value as follows:

	March 31, 2015
Fair value	<u>\$ 577,201</u>

15. INTANGIBLE ASSETS

	Completed Investment Property
<u>Cost</u>	
Balance at January 1, 2014	\$ 94,620
Additions	2,594
Disposals	(170)
Effect of foreign currency exchange differences	<u>374</u>
Balance at March 31, 2014	<u>\$ 97,418</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2014	\$ 48,312
Depreciation expense	3,480
Disposals	(170)
Effect of foreign currency exchange differences	<u>142</u>
Balance at March 31, 2014	<u>\$ 51,764</u>
Carrying amounts at March 31, 2014	<u>\$ 45,654</u>
<u>Cost</u>	
Balance at January 1, 2015	\$ 101,752
Additions	1,773
Disposals	(1,029)
Effect of foreign currency exchange differences	<u>(550)</u>
Balance at March 31, 2015	<u>\$ 101,946</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2015	\$ 55,949
Depreciation expense	4,097
Disposals	(333)
Effect of foreign currency exchange differences	<u>(248)</u>
Balance at March 31, 2015	<u>\$ 59,465</u>
Carrying amounts at December 31, 2014 and January 1, 2015	<u>\$ 45,803</u>
Carrying amounts at March 31, 2015	<u>\$ 42,481</u>

The above items of intangible assets were depreciated on a straight-line basis over estimated useful life of 2 to 5 years.

16. PREPAYMENTS FOR LEASE

	March 31, 2015	December 31, 2014	March 31, 2014
Current	\$ 4,012	\$ 4,078	\$ 3,932
Noncurrent	<u>157,744</u>	<u>161,372</u>	<u>158,664</u>
	<u>\$ 161,756</u>	<u>\$ 165,450</u>	<u>\$ 162,596</u>

Prepayments for lease are prepaid for land use rights for land located in Mainland China.

17. BORROWINGS

Short-term Debt

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Unsecured loan</u>			
Bank borrowings	\$ _____ -	\$ _____ -	<u>\$ 582,970</u>
Interest rate	_____ -	_____ -	<u>1.32-1.82%</u>

Long-term Debt

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Unsecured loan</u>			
Medium-term loan			
Repayable from March 13, 2013 to March 13, 2015; interest rate was 1.42% on March 31, 2014. Interest is paid monthly and principal is due on March 13, 2015. Principal was fully repaid in June 2014.	\$ -	\$ -	\$ 100,000
Medium-term loan			
Repayable from August 13, 2013 to August 13, 2015; interest rate was 1.42% on March 31, 2014. Interest is paid monthly and principal is due on August 13, 2015. Principal was fully repaid in June 2014.	-	-	100,000
Medium-term loan			
Repayable from January 17, 2014 to January 17, 2016; interest rate was 1.42% on March 31, 2014. Interest is paid monthly and principal is due on January 17, 2016. Principal was fully repaid in June 2014.	-	-	200,000 (Continued)

	March 31, 2015	December 31, 2014	March 31, 2014
Medium-term secured loan			
Repayable from December 11, 2013 to December 11, 2015; interest rate was 1.39% on March 31, 2014. Interest is paid monthly and principal is due on December 11, 2015. Principal was fully repaid in June 2014.	\$ -	\$ -	\$ 250,000
<u>Secured loan</u>			
Medium-term secured loan			
Repayable from December 11, 2013 to December 11, 2015; interest rate was 1.39% on March 31, 2014. Interest is paid monthly and principal is due on December 11, 2015. Principal was fully repaid in June 2014.	-	-	250,000
Medium-term secured loan			
Repayable from August 13, 2013 to November 19, 2015; interest rate was 1.474% on March 31, 2014. Interest is due monthly and principal is repaid monthly from December 19, 2014. Principal was fully repaid in June 2014.	<u>-</u>	<u>-</u>	<u>100,000</u>
	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Less: Long-term loans payable - current portion	<u>-</u>	<u>-</u>	<u>(133,333)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 866,667</u> (Concluded)

For pledged properties and endorsements/guarantees, please see Notes 28 and 29 to the consolidated financial statements.

18. BONDS PAYABLE

	March 31, 2015	December 31, 2014	March 31, 2014
Unsecured domestic convertible (or exchangeable) bonds	<u>\$ 1,435,189</u>	<u>\$ 1,429,189</u>	<u>\$ -</u>

On June 4, 2014, the Company issued 15 thousand units of \$100 thousand 0% unsecured convertible bonds in Taiwan, with an aggregate principal of \$1,500,000 thousand, proceeds from issue was \$1,503,000 thousand.

Each bond entitles the holder to convert into ordinary shares of the Company at a conversion price of \$20.4. If the Company changes its capital or pays cash dividends, the conversion price will be adjusted by the formula set up in the prospectus. After August 9, 2014, the conversion price has been adjusted to \$19.9. Conversion may occur at any time between July 5, 2014 and May 25, 2017. If the bonds are not converted, they will be redeemed on June 4, 2017 at \$100 thousand each.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus. The effective interest rate of the liability component was 1.70% per annum on initial recognition.

Proceeds from issue (less transaction costs \$5,669 thousand)	\$ 1,497,331
Equity component (less transaction costs allocated to the equity component of \$272 thousand)	<u>(71,878)</u>
Liability component at the date of issue	1,425,453
Interest charged at an effective interest rate of 1.70%	13,944
Conversion to common shares	<u>(10,208)</u>
Liability component at December 31, 2014	<u>\$ 1,429,189</u>
Liability component at January 1, 2015	\$ 1,429,189
Interest charged at an effective interest rate of 1.70%	<u>6,000</u>
Liability component at March 31, 2015	<u>\$ 1,435,189</u>

19. OTHER PAYABLES

	March 31, 2015	December 31, 2014	March 31, 2014
Payable for purchase of equipment	\$ 30,413	\$ 33,985	\$ 40,806
Payable for salaries and bonus	206,733	340,364	231,727
Compensation payable to employees and directors and supervisors	26,612	26,612	28,556
Payable for annual leave	54,835	44,736	41,498
Others	<u>490,223</u>	<u>610,425</u>	<u>545,332</u>
	<u>\$ 808,816</u>	<u>\$ 1,056,122</u>	<u>\$ 887,919</u>

20. PROVISION (RECORDED AS OTHER CURRENT LIABILITIES)

	March 31, 2015	December 31, 2014	March 31, 2014
Warranties	\$ 7,386	\$ 9,366	\$ 8,630
Export losses	<u>49,052</u>	<u>49,052</u>	<u>49,052</u>
	<u>\$ 56,438</u>	<u>\$ 58,418</u>	<u>\$ 57,682</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local regulations on sale of goods.

The provision of export loss represents the possible product returns and rebates; the amount was estimated based on historical experience, management's judgments and other known reasons.

21. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2015 and 2014, recognized in profit or loss in respect of these defined benefit plans were according to actuarial pension cost rate at December 31, 2014 and January 1, 2014, the amount was \$539 thousand and \$773 thousand, respectively.

22. EQUITY

Share Capital

	March 31, 2015	December 31, 2014	March 31, 2014
Number of shares authorized (in thousands)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>277,688</u>	<u>277,688</u>	<u>277,164</u>
Shares issued	<u>\$ 2,776,884</u>	<u>\$ 2,776,884</u>	<u>\$ 2,771,639</u>

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

On June 19, 2014, Phihong Technology Co., Ltd.'s board of stockholders resolved to issue 5,000 thousand restricted stock shares, with a par value of NT\$10 each, or NT\$50,000 thousand total. Exercise value of NT\$0 each. Except for restrictions against the transfer of shares, the rights and obligations of these common stocks (including allotment, dividend, shareholders' voting right, and capital injection right, etc.) before the employees fulfill the vesting conditions, are the same with other outstanding common stocks.

Capital Surplus

	March 31, 2015	December 31, 2014	March 31, 2014
Issuance of common shares	\$ 226,556	\$ 226,556	\$ 226,556
Conversion of bonds	667,058	667,058	661,582
Treasury share transactions	48,234	48,234	48,234
Interest payable of bond conversion	13,243	13,243	13,243
Equity component of convertible bonds	<u>71,365</u>	<u>71,365</u>	<u>-</u>
	<u>\$ 1,026,456</u>	<u>\$ 1,026,456</u>	<u>\$ 949,615</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

Retained Earnings and Dividend Policy

Under the Company Law of the ROC and Phihong's Articles of Incorporation, 10% of Phihong's annual earnings, net of tax and any deficit, should first be appropriated as legal reserve until such reserve equals to the amount of Phihong's capital, and then a special reserve should be appropriated as required by laws or local authorities. Any remaining earnings plus unappropriated earnings accumulated in prior years, unless to be retained partially by Phihong or resolved otherwise by the stockholders, should be appropriated as follows:

- a. Not greater than 2% as remuneration to directors and supervisors;
- b. Not less than 10% as bonuses to employees; and
- c. The remaining as dividends, of which at least 10% should be cash dividends.

For the three months ended March 31, 2015, because of net loss, the Company did not estimate the bonus to employees and the remuneration to directors and supervisors. For the three months ended March 31, 2014, the bonus to employees was estimated \$991 thousand and the remuneration to directors and supervisors was \$109 thousand. The bonus to employees and remuneration to directors and supervisors were expensed based on estimated percentage of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution 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 closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' 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", a company should appropriate to special reserve. Any special reserve appropriate may be reversed to the extent that the net debt balance reverses and thereafter distributed.

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

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

The appropriations of earnings for 2014 and 2013 had been proposed by the board of directors on March 13, 2015 and been approved in stockholders' meetings on June 19, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2014	For Year 2013	For Year 2014	For Year 2013
Legal reserve	\$ 14,785	\$ 15,254	\$ -	\$ -
Cash dividends	133,062	137,281	0.48	0.50
	For the Year Ended 2014		For the Year Ended 2013	
	Cash	Stock	Cash	Stock
	Dividends	Dividends	Dividends	Dividends
Bonus to employees	\$ 23,951	\$ -	\$ 24,710	\$ -
Remuneration of directors and supervisors	2,661	-	2,746	-

There was no difference between the amounts accrued and the amounts approved in the stockholders' meetings with respect to bonus to employees and remuneration to directors and supervisors.

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 11, 2015.

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

Special Reserves Appropriated Following First-time Adoption of IFRSs.

The Company transferred unrealized revaluation increment and cumulative translation differences to retained earnings at the amount of \$10,968 thousand and \$250,296 thousand, respectively. The increase in retained earnings that resulted from all IFRSs adjustments was smaller than the total revaluation and translation differences; therefore, the Company appropriated to the special reserve an amount of \$230,859 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Other Equity Items

a. Foreign currency translation reserve

	For the Three Months Ended March 31	
	2015	2014
Balance at January 1	\$ 345,970	\$ 73,280
Exchange differences arising on translating foreign operations	<u>(80,565)</u>	<u>66,862</u>
Balance at December 31	<u>\$ 265,405</u>	<u>\$ 140,142</u>

b. Investments revaluation reserve

	For the Three Months Ended March 31	
	2015	2014
Balance at January 1	\$ (37,199)	\$ (26,428)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>1,601</u>	<u>(7,197)</u>
Balance at December 31	<u>\$ (35,598)</u>	<u>\$ (33,625)</u>

Non-controlling Interest

	For the Three Months Ended March 31	
	2015	2014
Balance at January 1	\$ (9,662)	\$ (8,858)
Attributable to non-controlling interests:		
Share of profit for the period	(82)	(102)
Exchange difference arising on translation of foreign entities	<u>127</u>	<u>(184)</u>
Balance at December 31	<u>\$ (9,617)</u>	<u>\$ (9,144)</u>

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

	For the Three Months Ended March 31	
	2015	2014
Exchange (loss) gain, net	\$ (2,402)	\$ 22,544
Gain (loss) on disposal of property, plant and equipment	3,873	(1,759)
Gain on disposal of financial assets at fair value through profit and loss	3,989	-
Impairment loss	-	(11,200)
Others	<u>(3,695)</u>	<u>(2,592)</u>
	<u>\$ 1,765</u>	<u>\$ 6,993</u>

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2015	2014
Property, plant and equipment	\$ 94,168	\$ 105,352
Investment properties	2,992	-
Computer software	4,097	3,480
Prepayments for lease	<u>995</u>	<u>936</u>
	<u>\$ 102,252</u>	<u>\$ 109,768</u>
An analysis of depreciation by function		
Operating costs	\$ 59,548	\$ 64,886
Operating expenses	34,620	40,466
Non-operating expenses	<u>2,992</u>	<u>-</u>
	<u>\$ 97,160</u>	<u>\$ 105,352</u>
An analysis of amortization by function		
Operating costs	\$ 1,318	\$ 1,220
Operating expenses	<u>3,774</u>	<u>3,196</u>
	<u>\$ 5,092</u>	<u>\$ 4,416</u>

c. Employee benefits expense

	For the Three Months Ended March 31	
	2015	2014
Post-employment benefits (Note 19)		
Defined contribution plans	\$ 6,436	\$ 5,805
Defined benefit plans	<u>539</u>	<u>773</u>
	6,975	6,578
Short-term employee benefits	<u>615,825</u>	<u>625,440</u>
	<u>\$ 622,800</u>	<u>\$ 632,018</u>

(Continued)

	For the Three Months Ended March 31	
	2015	2014
An analysis of employee benefits expense by function		
Operating costs	\$ 415,443	\$ 413,826
Operating expenses	<u>207,357</u>	<u>218,192</u>
	<u>\$ 622,800</u>	<u>\$ 632,018</u> (Concluded)

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2015	2014
Current tax		
In respect of the current period	\$ 9,204	\$ 16,149
In respect of prior periods	<u>-</u>	<u>4,515</u>
Total income tax expense recognized in the current period	<u>\$ 9,204</u>	<u>\$ 20,664</u>

b. Information on integrated income tax was as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -	\$ -
Unappropriated earnings generated on and after January 1, 1998	<u>710,696</u>	<u>839,463</u>	<u>859,428</u>
	<u>\$ 710,696</u>	<u>\$ 839,463</u>	<u>\$ 859,428</u>
Balance of imputation credit account (ICA)	<u>\$ 205,538</u>	<u>\$ 205,538</u>	<u>\$ 215,716</u>

	For the Year Ended December 31	
	2014 (Expected)	2013 (Actual)
Creditable ratio for distribution of earning	28.05%	26.92%

c. Income tax assessments

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

25. EARNINGS PER SHARE

	Income After Tax (Attributed to Owners of the Company)	Number of Common Shares Outstanding (In Thousands)	Earnings Per Share (NT\$)
<u>For the three months ended March 31, 2015</u>			
Basic earnings per share			
Net loss	<u>\$ (128,767)</u>	<u>277,688</u>	<u>\$ (0.46)</u>
<u>For the three months ended March 31, 2014</u>			
Basic earnings per share			
Net income	<u>\$ 6,060</u>	277,164	<u>\$ 0.02</u>
Effect of dilutive potential common shares			
Employee bonus		<u>48</u>	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	<u>\$ 6,060</u>	<u>277,212</u>	<u>\$ 0.02</u>

If the Group can settle the bonuses to employees by cash or shares, the Group presumes that 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 shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. CAPITAL MANAGEMENT

The capital structure of the Group consists of net debt (borrowings minus cash and cash equivalents) and equity attributable to owners of the Company. Key management personnel of the Group review the capital structure periodically. 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 stockholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

March 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 371,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,600</u>

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 194,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,796</u>

March 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ -</u>	<u>\$ 46,618</u>	<u>\$ -</u>	<u>\$ 46,618</u>

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

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

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. When such prices are not available, valuation techniques are applied. The estimates and assumptions used by the Group are consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Financial assets</u>			
Loans and receivables			
Cash and cash equivalents	\$ 1,606,952	\$ 2,152,834	\$ 1,712,912
Trade receivable	1,655,612	1,974,829	2,041,992
Other receivables	44,028	105,853	31,869
Refundable deposits (recorded as other non-current assets)	46,561	47,050	30,568
Financial assets at fair value through profit or loss	371,600	194,796	46,618
Financial assets carried at cost	84,410	84,410	99,945
<u>Financial liabilities</u>			
Measured at amortized cost			
Short-term debts	-	-	582,970
Notes and trade payable	2,002,066	2,246,205	2,124,484
Trade payable to related parties	85,495	99,517	111,995
Other payables	808,816	1,056,122	887,919
Current portion of long-term debts	-	-	133,333
Bonds payable	1,435,189	1,429,189	-
Long-term debts	-	-	866,667
Advance deposits received (recorded as other non-current liabilities)	4,626	4,703	913

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, trade receivable, other receivables, refundable/advance deposit, trade payable, trade payable - related parties, other payables, short-term loans, long-term loans and bonds payable. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Assessment of the Group's foreign currency assets and liabilities, it has no significant exposure to foreign currency risk, the Group without additional hedge processing, so no application of the relevant hedge accounting.

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

Sensitivity analysis

The Company was mainly exposed to the currency USD.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity items when New Taiwan dollars strengthen by 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity items and the balances below would be negative.

	Currency USD Impact	
	For the Three Months Ended	
	March 31	
	2015	2014
Profit or loss	\$ 4,650	\$ 10,551

b) Interest rate risk

The Group was exposed to fair value risk and cash flow interest rate risk from short-term loans, long-term loans, time deposit, repurchase agreements and collateralized bonds at both fixed and floating interest rates.

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:

	March 31, 2015	December 31, 2014	March 31, 2014
Fair value interest rate risk			
Financial liabilities	\$ -	\$ -	\$ 1,082,970
Cash flow interest rate risk			
Financial liabilities	-	-	500,000

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 approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of customers in view of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

3) Liquidity risk

a) Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods:

March 31, 2015

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,896,377	\$ 1,435,189	\$ -	\$ 4,331,566
Variable interest rate instrument	-	-	-	-
Fixed interest rate instrument	-	-	-	-
	<u>\$ 2,896,377</u>	<u>\$ 1,435,189</u>	<u>\$ -</u>	<u>\$ 4,331,566</u>

December 31, 2014

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,401,844	\$ 1,429,189	\$ -	\$ 4,831,033
Variable interest rate instrument	-	-	-	-
Fixed interest rate instrument	-	-	-	-
	<u>\$ 3,401,844</u>	<u>\$ 1,429,189</u>	<u>\$ -</u>	<u>\$ 4,831,033</u>

March 31, 2014

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,124,398	\$ -	\$ -	\$ 3,124,398
Variable interest rate instrument	133,333	366,667	-	500,000
Fixed interest rate instrument	<u>582,970</u>	<u>500,000</u>	<u>-</u>	<u>1,082,970</u>
	<u>\$ 3,840,701</u>	<u>\$ 866,667</u>	<u>\$ -</u>	<u>\$ 4,707,368</u>

b) Financing facilities

	March 31, 2015	December 31, 2014	March 31, 2014
Unused bank financing facilities	<u>\$ 2,823,635</u>	<u>\$ 2,678,310</u>	<u>\$ 681,975</u>

28. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Group</u>
Xu Sheng Technology Co., Ltd.	Other related parties
Red Sun Metal Industry Co., Ltd.	Other related parties
Shine Tech Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Dongguan Fenggang Pin Hao Metal Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Hong Ding Educational Technology Co., Ltd.	Other related parties
Zero Distance Corporation	Other related parties
Peter Lin	Pihong's chairman

Details of transactions between the Group and other related parties were disclosed below:

b. Trading transactions

	For the Three Months Ended March 31	
	2015	2014
<u>Sales</u>		
Other related parties	<u>\$ 100</u>	<u>\$ -</u>
<u>Purchase of goods</u>		
Other related parties	<u>\$ 56,204</u>	<u>\$ 84,812</u>

There is no significant difference between purchase price from related parties and purchase price from unrelated parties.

	March 31, 2015	December 31, 2014	March 31, 2014
<u>Payable to related parties</u>			
Other related parties	<u>\$ 85,495</u>	<u>\$ 99,517</u>	<u>\$ 111,995</u>

c. Compensation of key management personnel

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

	For the Three Months Ended March 31	
	2015	2014
Short-term benefits	\$ 9,314	\$ 9,531
Post-employment benefits	<u>108</u>	<u>108</u>
	<u>\$ 9,422</u>	<u>\$ 9,639</u>

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

d. Other transactions with related parties

The key management personnel of the Group have guaranteed the payments of the loans of the Company as of March 31, 2014. The amounts of the guarantees were \$1,582,970 thousand.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	March 31, 2015	December 31, 2014	March 31, 2014
Freehold land	\$ 197,586	\$ 197,586	\$ 197,586
Buildings	140,964	141,991	146,948
Trade receivable	<u>547,701</u>	<u>574,670</u>	<u>748,150</u>
	<u>\$ 886,251</u>	<u>\$ 914,247</u>	<u>\$ 1,092,684</u>

30. CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	March 31, 2015	December 31, 2014	March 31, 2014
Acquisition of property, plant and equipment	<u>\$ 306,275</u>	<u>\$ 396,087</u>	<u>\$ -</u>

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

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

March 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 53,002	31.285	\$ 1,658,168
JPY	48,647	0.2632	12,804
HKD	1,393	4.0346	5,620
CNY	72,660	5.0460	366,642
<u>Financial liabilities</u>			
Monetary items			
USD	38,139	31.285	1,193,179
JPY	7,479	0.2632	1,968
HKD	4,174	4.0346	16,840

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 75,097	31.7100	\$ 2,381,326
JPY	128,677	0.2639	33,958
HKD	702	4.0874	2,869
CNY	1,277	5.1793	6,614

Financial liabilities

Monetary items			
USD	45,311	31.7100	1,436,812
JPY	7,419	0.2639	1,958
HKD	5,395	4.0874	22,051

March 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 132,527	30.4950	\$ 4,041,411
JPY	471,060	0.2994	141,035
HKD	5,156	3.9306	20,266

Financial liabilities

Monetary items			
USD	97,928	30.4950	2,986,314
JPY	10,094	0.2994	3,022
HKD	3,797	3.9306	14,924

For the three months ended March 31, 2015 and 2014, realized and unrealized net foreign exchange losses were \$2,402 thousand and gains \$22,544 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

32. SEGMENT INFORMATION

The Group's power supply segment is the only one reportable segment. The power supply segment mainly engages in the manufacturing and selling of AC/DC power adapters, charger bases, and power supply modules for computers. The Group's other operating segments did not exceed the quantitative threshold so they are not disclosed as reportable segments. These segments mainly engage in manufacturing and selling of lighting supply and developing, manufacturing and selling monitors.

The Group adopted operating profits as the measurement threshold. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 4.

The Company's operating segment information was as follows:

a. Segment revenues and results

	Segment Revenues		Segment Profit	
	For the Three Months Ended March 31		For the Three Months Ended March 31	
	2015	2014	2015	2014
Power supply	\$ 2,287,392	\$ 2,552,738	\$ (116,092)	\$ (18,784)
Others	<u>178,375</u>	<u>224,097</u>	<u>(26,755)</u>	<u>6,380</u>
Income from continuing operations	<u>\$ 2,465,767</u>	<u>\$ 2,776,835</u>	(142,847)	(12,404)
Other revenue			28,247	30,993
Other gain and loss			1,765	6,993
Financial cost			(6,832)	(4,372)
Investment income recognized under equity method, net			<u>22</u>	<u>5,412</u>
Income before income tax			<u>\$ (119,645)</u>	<u>\$ 26,622</u>

Inter-segment revenues were accounted for according to market prices.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

	March 31, 2015	December 31,	March 31, 2014
		2014	
Power supply segment assets	\$ 9,529,663	\$ 10,405,041	\$ 10,005,316
Other assets	<u>1,209,068</u>	<u>1,046,051</u>	<u>1,015,006</u>
Total assets	<u>\$ 10,738,731</u>	<u>\$ 11,451,092</u>	<u>\$ 11,020,322</u>
Power supply segment liabilities	\$ 4,509,706	\$ 5,020,754	\$ 4,888,467
Other liabilities	<u>165,539</u>	<u>159,166</u>	<u>139,794</u>
Total liabilities	<u>\$ 4,675,245</u>	<u>\$ 5,179,920</u>	<u>\$ 5,028,261</u>