Phihong Technology Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2014 and 2013 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' 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 June 30, 2014 and 2013, and the related consolidated statements of comprehensive income for the three months and the six months ended June 30, 2014 and 2013 and changes in equity and cash flows for the six months ended June 30, 2014 and 2013 (all expressed in thousands of New Taiwan dollars). 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 11 to the consolidated financial statements, long-term equity investments accounted for under the equity method for the six months ended June 30, 2014 and 2013 were based on unreviewed financial statements. As of June 30, 2014 and 2013, the aggregate balances of the Company's investments in its investees whose financial statements have not been reviewed by independent accountants amounted to $321,586 thousand and $324,161 thousand, respectively. For the three months and the six months ended June 30, 2014 and 2013, the Company's investment income from such investments amounted to loss $3,573 thousand, $0 thousand, gain $1,839 thousand and $1,100 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 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.

August 8, 2014

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 accountants' 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 accountants' review report and consolidated financial statements shall prevail.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2014 (Reviewed)		December 31, 2013 (Audited)		June 30, 2013 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 1,950,179	18	$ 1,422,745	14	$ 1,207,165	12
Financial assets at fair value through profit or loss - current (Note 7)	-	-	50,957	-	136,020	1
Trade receivables and note receivables (Note 9)	2,356,209	21	1,966,820	19	2,091,107	21
Other receivables	39,086	-	32,607	-	37,744	-
Inventories (Note 10)	1,863,530	17	1,706,064	17	1,750,125	18
Prepayment for lease (Note 14)	3,859	-	3,303	-	3,275	-
Other current assets	148,914	1	336,490	3	162,060	2
Total current assets	6,361,777	57	5,518,986	53	5,387,496	54
NON-CURRENT ASSETS						
Financial assets measured at cost - non-current (Note 8)	92,902	1	111,145	1	77,945	1
Investments accounted for using equity method (Note 11)	321,586	3	329,633	3	324,161	3
Property, plant and equipment (Note 12)	4,106,117	37	3,986,992	39	3,832,307	39
Intangible assets (Note 13)	50,215	-	46,308	-	47,520	-
Deferred tax assets (Note 22)	47,423	-	47,423	1	47,669	1
Long-term prepayments for lease (Note 14)	154,542	1	133,309	1	133,807	1
Other non-current assets	58,093	1	155,133	2	58,744	1
Total non-current assets	4,830,878	43	4,809,943	47	4,522,153	46
TOTAL	$ 11,192,655	100	$ 10,328,929	100	$ 9,909,649	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term debt (Note 15)	$ -	-	$ 100,000	1	$ 50,000	-
Trade payable	2,374,086	21	2,026,147	20	2,098,135	21
Trade payables to related parties (Note 26)	109,596	1	109,911	1	94,967	1
Other payables (Note 17)	1,121,365	10	1,028,646	10	1,252,143	13
Current tax liabilities (Notes 4 and 22)	48,044	-	86,446	1	73,717	1
Current portion of long-term borrowings (Note 15)	-	-	8,333	-	-	-
Other current liabilities (Note 18)	86,779	1	105,241	1	90,613	1
Total current liabilities	3,739,870	33	3,464,724	34	3,659,575	37
NON-CURRENT LIABILITIES						
Bonds payable (Note 16)	1,427,179	13	-	-	-	-
Long-term borrowings (Note 15)	-	-	791,667	8	300,000	3
Deferred tax liabilities (Note 22)	79,832	1	79,832	1	79,832	1
Accrued pension liabilities (Note 19)	65,603	-	65,186	-	66,702	-
Other non-current liabilities	895	-	898	-	842	-
Total non-current liabilities	1,573,509	14	937,583	9	447,376	4
Total liabilities	5,313,379	47	4,402,307	43	4,106,951	41
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)						
Share capital						
Common stock	2,771,639	25	2,771,639	27	2,771,639	28
Capital surplus	1,021,493	9	949,615	9	949,615	10
Retained earnings						
Legal reserve	1,098,401	10	1,083,147	11	1,083,147	11
Special reserve	230,859	2	230,859	2	230,859	2
Unappropriated earnings	748,865	7	853,368	8	755,081	8
Total retained earnings	2,078,125	19	2,167,374	21	2,069,087	21
Other equity						
Exchange differences on translating foreign operations	47,110	-	73,280	-	49,348	-
Unrealized (loss) gain on available-for-sale financial assets	(29,999)	-	(26,428)	-	(27,993)	-
Total other equity	17,111	-	46,852	-	21,355	-
Total equity attributable to owners of the Company	5,888,368	53	5,935,480	57	5,811,696	59
NON-CONTROLLING INTEREST	(9,092)	-	(8,858)	-	(8,998)	-
Total equity	5,879,276	53	5,926,622	57	5,802,698	59
TOTAL	$ 11,192,655	100	$ 10,328,929	100	$ 9,909,649	100

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

(With Deloitte & Touche review report dated August 8, 2014)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
NET SALES AND REVENUES	$ 3,291,573	100	$ 3,023,301	100	$ 6,068,408	100	$ 5,631,895	100
COST OF GOODS SOLD	2,810,392	86	2,581,248	85	5,195,560	85	4,744,943	84
GROSS PROFIT	481,181	14	442,053	15	872,848	15	886,952	16
OPERATING EXPENSES								
Sales and marketing	172,934	5	164,554	5	331,116	6	350,761	6
General and administration	152,257	5	128,341	4	301,382	5	259,773	5
Research and development	109,243	3	139,191	5	206,007	3	261,035	5
Total operating expenses	434,434	13	432,086	14	838,505	14	871,569	16
INCOME FROM OPERATIONS	46,747	1	9,967	1	34,343	1	15,383	-
NONOPERATING INCOME (EXPENSES)								
Other income	54,426	2	62,946	2	85,419	1	95,517	2
Other gains (losses) (Note 21)	(25,948)	(1)	(2,627)	-	(18,955)	-	18,151	-
Finance costs	(6,984)	-	(1,544)	-	(11,356)	-	(2,854)	-
Share of the profit of associates	(3,573)	-	-	-	1,839	-	1,100	-
Total nonoperating income	17,921	1	58,775	2	56,947	1	111,914	2
INCOME BEFORE INCOME TAX	64,668	2	68,742	3	91,290	2	127,297	2
INCOME TAX EXPENSE (Note 22)	(22,817)	(1)	(52,591)	(2)	(43,481)	(1)	(73,961)	(1)
NET INCOME	41,851	1	16,151	1	47,809	1	53,336	1
OTHER COMPREHENSIVE INCOME (LOSS)								
Exchange differences on translating foreign operations (Note 20)	(92,859)	(2)	71,153	2	(26,181)	(1)	196,213	3
Unrealized gain on available-for-sale financial assets (Note 20)	-	-	(5,771)	-	-	-	(1,876)	-
Share of the other comprehensive income of associates (Note 20)	3,626	-	-	-	(3,571)	-	(10,514)	-
Total other comprehensive income	(89,233)	(2)	65,382	2	(29,752)	(1)	183,823	3
TOTAL COMPREHENSIVE INCOME	$ (47,382)	(1)	$ 81,533	3	$ 18,057	-	$ 237,159	4
NET INCOME ATTRIBUTABLE TO:								
Owner of the Company	$ 41,972	1	$ 13,143	1	$ 48,032	1	$ 55,448	1
Non-controlling interests	(121)	-	3,008	-	(223)	-	(2,112)	-
	$ 41,851	1	$ 16,151	1	$ 47,809	1	$ 53,336	1

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	$ (47,434)	(1)	$ 79,282	3	$ 18,291	-	$ 240,767	4
Non-controlling interests	52	-	2,251	-	(234)	-	(3,608)	-
	$ (47,382)	(1)	$ 81,533	3	$ 18,057	-	$ 237,159	4
EARNINGS PER SHARE (Note 23)								
Basic	$ 0.15		$ 0.05		$ 0.17		$ 0.20	
Diluted	$ 0.14		$ 0.05		$ 0.17		$ 0.20	

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

(With Deloitte & Touche review report dated August 8, 2014) (Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Note Audited)

	Equity Attributable to Owners of the Company									
	Share Capital		Retained Earnings			Other Equity				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2013	$ 2,771,639	$ 949,615	$ 1,052,192	$ -	$ 1,238,611	$ (148,361)	$ (15,603)	$ 5,848,093	$ (5,390)	$ 5,842,703
Appropriation of the 2012 net income										
Legal reserve	-	-	30,955	-	(30,955)	-	-	-	-	-
Cash dividend	-	-	-	-	(277,164)	-	-	(277,164)	-	(277,164)
Special reserve at first-time adoption of IFRSs	-	-	-	230,859	(230,859)	-	-	-	-	-
Net income (loss) for the six months ended June 30, 2013	-	-	-	-	55,448	-	-	55,448	(2,112)	53,336
Other comprehensive income (loss) for the six months ended June 30, 2013, net of income tax	-	-	-	-	-	197,709	(12,390)	185,319	(1,496)	183,823
Total comprehensive income (loss) for the six months ended June 30, 2013	-	-	-	-	55,448	197,709	(12,390)	240,767	(3,608)	237,159
BALANCE, JUNE 30, 2013	$ 2,771,639	$ 949,615	$ 1,083,147	$ 230,859	$ 755,081	$ 49,348	$ (27,993)	$ 5,811,696	$ (8,998)	$ 5,802,698
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
Appropriation of the 2013 net income										
Legal reserve	-	-	15,254	-	(15,254)	-	-	-	-	-
Cash dividend	-	-	-	-	(137,281)	-	-	(137,281)	-	(137,281)
Equity component of convertible bonds issued by the Company (Note 16)	-	71,878	-	-	-	-	-	71,878	-	71,878
Net income (loss) for the six months ended June 30, 2014	-	-	-	-	48,032	-	-	48,032	(223)	47,809
Other comprehensive income (loss) for the six months ended June 30, 2014, net of income tax	-	-	-	-	-	(26,170)	(3,571)	(29,741)	(11)	(29,752)
Total comprehensive income (loss) for the six months ended June 30, 2014	-	-	-	-	48,032	(26,170)	(3,571)	18,291	(234)	18,057
BALANCE, JUNE 30, 2014	$ 2,771,639	$ 1,021,493	$ 1,098,401	$ 230,859	$ 748,865	$ 47,110	$ (29,999)	$ 5,888,368	$ (9,092)	$ 5,879,276

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

(With Deloitte & Touche review report dated August 8, 2014)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2014	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 91,290	$ 127,297
Adjustments for:		
Impairment loss recognized (reversal of impairment loss) on trade receivables	(1,381)	6,071
Depreciation expense	203,840	211,435
Amortization expense	6,963	7,498
Finance costs	11,356	2,854
Interest income	(7,029)	(4,371)
Share of profit of associates	(1,839)	(1,100)
Loss on disposal of property, plant and equipment	8,985	1,403
Loss on disposal of financial assets	-	169
Impairment loss of financial assets measured at cost	11,200	-
Write-down of inventories	3,558	28,667
Amortization of prepayments for lease	1,895	1,616
Net changes in operating assets and liabilities		
Trade receivable	(388,008)	(189,696)
Other receivables	(6,443)	16,882
Inventories	(161,024)	(98,568)
Other current assets	187,576	(1,461)
Other non-current assets	103,491	(6,486)
Notes payable	-	15,010
Trade payable	347,939	(5,177)
Trade payable to related parties	(315)	46,647
Other payables	(42,482)	(76,219)
Other current liabilities	(18,462)	(3,517)
Reserve for retirement plan	417	(90)
Cash generated from operating activities	351,527	78,864
Interest paid	(9,837)	(2,296)
Interest received	6,993	4,376
Income tax paid	(81,883)	(92,511)
Net cash (used in) provided by operating activities	266,800	(11,567)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	-	(136,020)
Net loss on fair value change of financial assets designated as at fair value through profit or loss	50,957	-
Proceeds on sale of available-for-sale financial assets	-	31,092
Proceeds on sale of financial assets measured at cost	-	10,483
Payments for property, plant and equipment	(385,875)	(408,035)
Proceeds from disposal of property, plant and equipment	25,470	6,442

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30 2014	2013
Payments for intangible assets	$ (11,403)	$ (11,862)
Proceeds from disposal of intangible assets	-	99
Increase (decrease) in refundable deposits	(4,879)	3,124
Increase in pre-paid lease payments	(25,468)	-
Dividend received	6,313	6,185
Decrease and return of capital from investees of financial assets measured at cost	7,043	-
Net cash used in investing activities	(337,842)	(498,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debt	-	50,000
Repayments of short-term debt	(100,000)	-
Proceeds from issue of convertible bonds	1,503,000	-
Proceeds from long-term borrowings	-	100,000
Repayments of long-term borrowings	(800,000)	-
Decrease in advance deposits received	(3)	(143)
Payments for transaction costs attributable to issue of debt instruments	(5,669)	-
Net cash provided by financing activities	597,328	149,857
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	1,148	24,079
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	527,434	(336,123)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,422,745	1,543,288
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 1,950,179	$ 1,207,165

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

(With Deloitte & Touche review report dated August 8, 2014) (Concluded)

(In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise)

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 reported to the board of directors and approved for issue on August 8, 2014.

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

a. The 2013 version of the International Financial Reporting Standards, (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) in issue but not yet effective

Rule No. 1030010325 issued by the Financial Supervisory Commission (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 starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
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 initial application of the above 2013 IFRSs version has not had 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 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.

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 in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans and share of the actuarial gains (loss) arising from 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 gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the actuarial gains (loss) arising from defined benefit plans) of associates accounted for using the equity method.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group was continuingly to assess other possible impacts that the application of the 2013 IFRSs version will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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
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 11 “ Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

The initial application of the above New IFRSs has not had 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 collecting contractual cash flows and 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 shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses.

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.

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

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, 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. 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) Amendments to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made some consequential amendments 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 the disclosure of such recoverable amount is required only when an impairment loss has been recognized or reversed. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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.

4) 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.

5) 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.

6) IFRS 15 "Revenue from Contracts with Customers"

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuingly 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 complete.

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. Subsidiary included in consolidated financial statements:

			Percentage of Ownership		
Investor	Investee	Main Business	June 30, 2014	December 31, 2013	June 30, 2013
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
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	89.88	89.88

(Continued)

Investor	Investee	Main Business	Percentage of Ownership June 30, 2014	December 31, 2013	June 30, 2013
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	10.12	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)

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, 2013, except for those described below.

1) Retirement benefit costs

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 curtailments, settlements, or other significant one-time events.

2) 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.

3) Reclassifications

Certain accounts in the financial statements as of and for the six months ended June 30, 2013 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the six months ended June 30, 2014.

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, 2013.

6. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013	June 30, 2013
Cash on hand	$ 2,409	$ 2,267	$ 2,706
Checking accounts and demand deposits	1,841,204	1,346,478	1,115,528
Time deposits	106,566	74,000	88,931
	$ 1,950,179	$ 1,422,745	$ 1,207,165

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:

	June 30, 2014	December 31, 2013	June 30, 2013
Demand deposits and time deposits	0.01%-0.88%	0.01%-3.30%	0.01%-3.25%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2014	December 31, 2013	June 30, 2013
Financial assets designated as at FVTPL			
Guaranteed financial products	$ -	$ 50,957	$ 136,020

The Group entered into a 7 to 15 days guaranteed financial products contract with a bank. The Group designated the entire contract as financial assets at FVTPL on initial recognition.

8. FINANCIAL ASSETS MEASURED AT COST

	June 30, 2014	December 31, 2013	June 30, 2013
Unlisted stocks			
Bao-Dian Venture Capital Co., Ltd.	$ 7,615	$ 9,015	$ 12,255
Yuan-Jing Venture Capital Co., Ltd.	11,367	20,010	31,500
Han-Tong Venture Capital Co., Ltd.	48,396	49,996	-
Asiatech Taiwan Venture Fund	682	682	2,748
NeoPac Lighting Limited	-	-	-
Yong-Li Investment Ltd.	9,442	9,442	9,442
TC-1 Culture Fund	15,400	22,000	22,000
	$ 92,902	$ 111,145	$ 77,945
Classified according to financial asset measurement categories			
Available-for-sale financial assets	$ 92,902	$ 111,145	$ 77,945
Financial instruments at fair value through profit or loss	-	-	-
	$ 92,902	$ 111,145	$ 77,945

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.

Bao-Dian Venture Capital Co., Ltd. had outstanding common stock of $128,700 thousand at January 1, 2013. In the fourth quarter of 2013, Bao-Dian Venture Capital Co., Ltd.'s board of directors approved to decrease and return its capital in the amount of $45,045 thousand, capital reduction ratio of 35%. The Company received the returned capital of $3,240 thousand. Bao-Dian Venture Capital Co., Ltd. had outstanding common stock of $83,655 thousand at June 30, 2014.

Yuan-Jing Venture Capital Co., Ltd. had outstanding common stock of $619,750 thousand at January 1, 2013. In the second quarter of 2014 and third quarter of 2013, Yuan-Jing Venture Capital Co., Ltd.'s board of directors approved to decrease and return its capital in the amount of $130,296 thousand and $212,575 thousand, capital reduction ratio of 32% and 34.3%. The Company received the returned capital of $7,043 thousand and $11,490 thousand. Yuan-Jing Venture Capital Co., Ltd. had outstanding common stock of $276,879 thousand at June 30, 2014.

The Company purchased 4,330 thousand shares of Han-Tong Venture Capital Co., Ltd.'s common stocks with per share price of NT$11.55 in August 2013.

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 for the six months ended June 30, 2014, which were presented under other gains and losses.

9. TRADE RECEIVABLE

	June 30, 2014	December 31, 2013	June 30, 2013
Note receivable	$ -	$ -	$ 8
Trade receivable	2,368,225	1,980,245	2,127,672
Less: Allowance for doubtful accounts	(12,016)	(13,425)	(36,698)
	2,356,209	1,966,820	2,090,982
Trade receivable - related parties	-	-	125
	$ 2,356,209	$ 1,966,820	$ 2,091,107

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.

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

	June 30, 2014	December 31, 2013	June 30, 2013
Not overdue and not impaired	$ 2,311,441	$ 1,922,281	$ 2,042,042
Overdue under 60 days	45,526	47,081	40,199
Overdue 60 days and longer	11,258	10,883	45,556
	$ 2,368,225	$ 1,980,245	$ 2,127,797

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, 2013	$ 22,067	$ 8,130	$ 30,197
Amounts written off as uncollectible	-	6,071	6,071
Effect of exchange rate changes	-	430	430
Balance at June 30, 2013	$ 22,067	$ 14,631	$ 36,698
Balance at January 1, 2014	$ 4,482	$ 8,943	$ 13,425
Reversed impairment loss on receivables	-	(1,381)	(1,381)
Effect of exchange rate changes	-	(28)	(28)
Balance at June 30, 2014	$ 4,482	$ 7,534	$ 12,016

As of June 30, 2014, December 31, 2013 and June 30, 2013, trade receivable of PHA in the amount of $756,069 thousand, $725,785 thousand and $764,350 thousand, respectively, had been pledged to secure short-term debts (the amount was not used as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively). See Note 27 to the consolidated financial statements.

10. INVENTORIES

	June 30, 2014	December 31, 2013	June 30, 2013
Raw materials	$ 546,354	$ 502,913	$ 470,255
Work-in-process	173,371	168,856	158,389
Finished goods	417,649	465,439	344,596
Merchandise	726,156	568,856	776,885
	$ 1,863,530	$ 1,706,064	$ 1,750,125

As of June 30, 2014, December 31, 2013 and June 30, 2013, allowance of inventory devaluation was $322,842 thousand, $321,282 thousand and $316,010 thousand, respectively.

For the three months and the six months ended June 30, 2014 and 2013, the cost of inventories recognized as cost of goods sold was $2,810,392 thousand, $2,581,248 thousand, $5,195,560 thousand and $4,744,943 thousand, respectively. Provision for inventory (reversal) write-down and obsolescence in the amounts of ($1,858) thousand, $21,117 thousand, $3,558 thousand and $28,667 thousand was included in the cost of goods sold for the three months and the six months ended June 30, 2014 and 2013, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	June 30, 2014	December 31, 2013	June 30, 2013
Unlisted stocks			
Hao-Xuan Venture Capital Co., Ltd.	$ 46,597	$ 40,208	$ 43,258
H&P Venture Capital Co., Ltd.	137,586	137,642	151,049
Han-Yu Venture Capital Co., Ltd.	103,736	116,630	93,616
Spring City Resort Co., Ltd.	33,667	35,153	36,238
	$ 321,586	$ 329,633	$ 324,161

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

	June 30, 2014	December 31, 2013	June 30, 2013
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 summarized financial information in respect of the Group's associates was set out below:

	June 30, 2014	December 31, 2013	June 30, 2013
Total assets	$ 1,722,352	$ 1,735,926	$ 1,666,295
Total liabilities	$ 443,071	$ 482,631	$ 465,968

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Revenue for the period	$ 123,489	$ 68,230	$ 285,604	$ 159,912
Profit for the period	$ (15,105)	$ (3,183)	$ 34,497	$ 2,608
Other comprehensive income for the period	$ 46,256	$ (10,831)	$ 27,672	$ 10,148

The equity-method investees' financial statements for the three months and the six months ended June 30, 2014 and 2013, 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. The Group believes that, had those investees' financial statements been reviewed, any adjustments would have had no material effect on the Group's financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at January 1, 2013	$ 254,350	$ 2,446,205	$ 2,365,881	$ 604,405	$ 284,237	$ 5,955,078
Additions	16,379	31,291	33,601	23,859	295,084	400,214
Disposals	-	(2,502)	(17,386)	(14,472)	-	(34,360)
Effect of foreign currency exchange differences	2,247	110,750	116,706	17,749	18,964	266,416
Others	-	-	103,168	(63,508)	(39,660)	-
Balance at June 30, 2013	$ 272,976	$ 2,585,744	$ 2,601,970	$ 568,033	$ 558,625	$ 6,587,348
Accumulated depreciation and impairment						
Balance at January 1, 2013	$ -	$ 837,046	$ 1,186,716	$ 437,732	$ -	$ 2,461,494
Disposals	-	(1,449)	(12,478)	(12,588)	-	(26,515)
Depreciation expense	-	49,941	127,624	33,870	-	211,435
Effect of foreign currency exchange differences	-	37,127	58,274	13,326	-	108,727
Others	-	(1,144)	59,677	(58,533)	-	-
Balance at June 30, 2013	$ -	$ 921,521	$ 1,419,813	$ 413,807	$ -	$ 2,755,141
Carrying amounts at January 1, 2013	$ 254,350	$ 1,609,159	$ 1,179,165	$ 166,673	$ 284,237	$ 3,493,584
Carrying amounts at June 30, 2013	$ 272,976	$ 1,664,223	$ 1,182,157	$ 154,226	$ 558,625	$ 3,832,207
Cost						
Balance at January 1, 2014	$ 271,486	$ 2,611,612	$ 2,634,160	$ 592,202	$ 838,106	$ 6,947,566
Additions	-	31,545	90,896	26,665	234,914	384,020
Disposals	-	(7,479)	(75,457)	(7,835)	-	(90,771)
Effect of foreign currency exchange differences	665	(16,979)	(18,880)	(2,814)	(7,933)	(45,941)
Others	-	4,835	-	2,121	(8,529)	(1,573)
Balance at June 30, 2014	$ 272,151	$ 2,623,534	$ 2,630,719	$ 610,339	$ 1,056,558	$ 7,193,301
Accumulated depreciation and impairment						
Balance at January 1, 2014	$ -	$ 978,713	$ 1,546,586	$ 435,275	$ -	$ 2,960,574
Disposals	-	(4,384)	(46,183)	(6,167)	-	(56,734)
Depreciation expense	-	51,191	121,492	31,157	-	203,840
Effect of foreign currency exchange differences	-	(6,850)	(11,322)	(2,324)	-	(20,496)
Others	-	-	-	-	-	-
Balance at June 30, 2014	$ -	$ 1,018,670	$ 1,610,573	$ 457,941	$ -	$ 3,087,184
Carrying amounts at January 1, 2013	$ 271,486	$ 1,632,899	$ 1,087,574	$ 156,927	$ 838,106	$ 3,986,992
Carrying amounts at June 30, 2013	$ 272,151	$ 1,604,864	$ 1,020,146	$ 152,398	$ 1,056,558	$ 4,106,117

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

13. INTANGIBLE ASSETS

	June 30, 2014	December 31, 2013	June 30, 2013
Completed investment property	$ 50,215	$ 46,308	$ 47,520

Except for amortization recognized, the Group had no significant addition, disposal, nor impairment of other intangible assets during the six months ended June 30, 2014 and 2013.

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

14. PREPAYMENTS FOR LEASE

	June 30, 2014	December 31, 2013	June 30, 2013
Current	$ 3,859	$ 3,303	$ 3,275
Noncurrent	154,542	133,309	133,807
	$ 158,401	$ 136,612	$ 137,082

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

15. BORROWINGS

Short-term Debt

	June 30, 2014	December 31, 2013	June 30, 2013
Unsecured loan			
Bank borrowings	$ -	$ 100,000	$ 50,000
Interest rate	-	1.32%	1.32%

Long-term Debt

	June 30, 2014	December 31, 2013	June 30, 2013
Unsecured loan			
Medium-term loan			
Repayable from March 13, 2013 to March 13, 2015; interest rate was 1.42% on December 31, 2013. Interest is paid monthly and principal is due on March 13, 2015. Principal was fully repaid in June 2014.	$ -	$ 100,000	$ 100,000
Medium-term loan			
Repayable from August 13, 2013 to August 13, 2015; interest rate was 1.42% on December 31, 2013. Interest is paid monthly and principal is due on August 13, 2015. Principal was fully repaid in June 2014.	-	100,000	-
Medium-term secured loan			
Repayable from December 11, 2013 to December 11, 2015; interest rate was 1.39% on December 31, 2013. Interest is paid monthly and principal is due on December 11, 2015. Principal was fully repaid in June 2014.	-	250,000	-
Secured loan			
Medium-term secured loan			
Repayable from December 11, 2013 to December 11, 2015; interest rate was 1.39% on December 31, 2013. 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 1.48% on December 31, 2013. Interest is due monthly and principal is repaid monthly from December 19, 2014. Principal was fully repaid in June 2014.	-	100,000	-
Medium-term secured loan			
Repayable from September 27, 2012 to September 27, 2014; interest rate was 1.37% on June 30, 2013. Interest is paid monthly and principal is due on September 27, 2014. Principal was fully repaid in December 2013.	-	-	200,000
	-	800,000	300,000
Less: Long-term loans payable - current portion	-	(8,333)	-
	$ -	$ 791,667	$ 300,000

For pledged properties and endorsements/guarantees, please see Notes 26 and 27 to the consolidated financial statements.

16. BONDS PAYABLE

	June 30, 2014	December 31, 2013	June 30, 2013
Unsecured domestic convertible bonds	$ 1,427,179	$ -	$ -

On June 4, 2014, the Company issued 15 thousand units of $100 thousand 0% NT unsecured convertible bonds, with an aggregate principal of $1,500,000 thousand.

Each bond entitles the holder to convert into ordinary shares of the Company at a conversion price of $20.4. 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 1.7% 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)	(71,878)
Liability component at the date of issue	1,425,453
Interest charged at an effective interest rate of 1.70%	1,726
Liability component at June 30, 2014	$ 1,427,179

17. OTHER PAYABLES

	June 30, 2014	December 31, 2013	June 30, 2013
Payable for purchase of equipment	$ 36,091	$ 37,946	$ 5,338
Payable for salaries and bonus	271,860	307,706	243,511
Compensation payable to employees and directors and supervisors	36,102	27,456	72,334
Payable for annual leave	40,148	37,880	37,172
Dividend payable	137,281	-	277,164
Others	599,883	617,658	616,624
	$ 1,121,365	$ 1,028,646	$ 1,252,143

18. PROVISION (RECORDED AS OTHER CURRENT LIABILITIES)

	June 30, 2014	December 31, 2013	June 30, 2013
Warranties	$ 10,178	$ 9,444	$ 9,385
Export losses	49,052	49,052	49,052
	$ 59,230	$ 58,496	$ 58,437

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.

19. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2013 and 2012, and recognized in the following line items in their respective periods:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Operating cost	$ 78	$ 49	$ 157	$ 97
Marketing expenses	148	75	286	150
Administration expenses	108	73	215	145
Research and development expenses	441	341	890	683
	$ 775	$ 538	$ 1,548	$ 1,075

20. EQUITY

Share Capital

	June 30, 2014	December 31, 2013	June 30, 2013
Number of shares authorized (in thousands)	600,000	600,000	600,000
Shares authorized	$ 6,000,000	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	277,164	277,164	277,164
Shares issued	$ 2,771,639	$ 2,771,639	$ 2,771,639

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 14, 2013, 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. As of the date June 30, 2014, the Company has not actually issued restricted stock shares.

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

	June 30, 2014	December 31, 2013	June 30, 2013
Issuance of common shares	$ 226,556	$ 226,556	$ 226,556
Conversion of bonds	661,582	661,582	661,582
Treasury share transactions	48,234	48,234	48,234
Interest payable of bond conversion	13,243	13,243	13,243
Convertible bonds	71,878	-	-
	$ 1,021,493	$ 949,615	$ 949,615

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).

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 six months ended June 30, 2014 and 2013, the bonus to employees were estimated $7,732 thousand and $15,617 thousand, respectively, and the remuneration to directors and supervisors were $914 thousand and $998 thousand, respectively. 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 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", a company should appropriate to special reserve.

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 2013 and 2012 had been approved in stockholders' meetings on June 19, 2014 and June 14, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2013	**For Year 2012**	**For Year 2013**	**For Year 2012**
Legal reserve	$ 15,254	$ 30,955	$ -	$ -
Cash dividends	137,281	277,164	0.5	1.0

	For the Year Ended 2013		For the Year Ended 2012	
	Cash Dividends	**Stock Dividends**	**Cash Dividends**	**Stock Dividends**
Bonus to employees	$ 24,710	$ -	$ 50,148	$ -
Remuneration of directors and supervisors	2,746	-	5,572	-

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the stockholders' meetings on June 19, 2014 and June 14, 2013 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2013 and 2012 respectively.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors and approved by the Company 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's special reserves appropriated following first-time adoption of IFRSs were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Special reserve	$ 230,859	$ 230,859	$ 230,859

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 Six Months Ended June 30	
	2014	**2013**
Balance at January 1	$ 73,280	$ (148,361)
Exchange differences arising on translating foreign operations	(26,170)	197,709
Balance at December 31	$ 47,110	$ 49,348

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) were reclassified to profit or loss on the disposal of the foreign operation.

b. Investments revaluation reserve

	For the Six Months Ended June 30	
	2014	2013
Balance at January 1	$ (26,428)	$ (15,603)
Unrealized gain arising on revaluation of available-for-sale financial assets	-	(1,876)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	(3,571)	(10,514)
Balance at June 30	$ (29,999)	$ (27,993)

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Non-controlling Interest

	For the Six Months Ended June 30	
	2014	2013
Balance at January 1	$ (8,858)	$ (5,390)
Attributable to non-controlling interests:		
Share of profit for the period	(223)	(2,112)
Exchange difference arising on translation of foreign entities	(11)	(1,496)
Balance at June 30	$ (9,092)	$ (8,998)

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Loss on disposal of property, plant and equipment	$ (7,226)	$ (735)	$ (8,985)	$ (1,403)
Exchange gain (loss), net	(17,638)	2,170	4,906	20,687
Gain (loss) on disposal of investment	-	2,348	-	(169)
Impairment loss	-	-	(11,200)	-
Others	(1,084)	(6,410)	(3,676)	(964)
	$ (25,948)	$ (2,627)	$ (18,955)	$ 18,151

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
An analysis of depreciation by function				
Operating costs	$ 58,155	$ 66,677	$ 123,041	$ 133,196
Operating expenses	40,333	39,066	80,799	78,239
	$ 98,488	$ 105,743	$ 203,840	$ 211,435
An analysis of amortization by function				
Operating costs	$ 1,225	$ 1,021	$ 2,445	$ 2,002
Operating expenses	3,217	3,737	6,413	7,112
	$ 4,442	$ 4,758	$ 8,858	$ 9,114

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Post-employment benefits (Note 19)				
Defined contribution plans	$ 5,741	$ 6,910	$ 11,546	$ 10,946
Defined benefit plans	775	538	1,548	1,075
	6,516	7,448	13,094	12,021
Short-term employee benefits	668,010	629,114	1,293,450	1,169,403
	$ 674,526	$ 636,562	$ 1,306,544	$ 1,181,424
An analysis of employee benefits expense by function				
Operating costs	$ 441,937	$ 404,762	$ 855,763	$ 731,460
Operating expenses	232,589	231,800	450,781	449,964
	$ 674,526	$ 636,562	$ 1,306,544	$ 1,181,424

22. 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 June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Current tax				
In respect of the current period	$ 31,795	$ 35,208	$ 47,944	$ 55,828
In respect of prior periods	(8,978)	17,240	(4,463)	17,240
Additional tax at 10% of unappropriated earnings	-	143	-	143
	22,817	52,591	43,481	73,211
Deferred tax				
In respect of the current period	-	-	-	750
Total income tax expense recognized in the current period	$ 22,817	$ 52,591	$ 43,481	$ 73,961

b. Information on integrated income tax was as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	$ -	$ -	$ -
Unappropriated earnings generated on and after January 1, 1998	748,865	853,368	755,081
	$ 748,865	$ 853,368	$ 755,081
Balance of imputation credit account (ICA)	$ 226,243	$ 205,517	$ 276,711

The creditable ratio for distribution of earnings of 2013 and 2012 was 26.92% (expected ratio) and 27.69%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company is calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Company is based on the balance of the ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

c. Income tax assessments

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

23. EARNINGS PER SHARE

	Income After Tax (Attributed to Owners of the Company)	Number of Common Shares Outstanding (In Thousands)	Earnings Per Share (NT$)
For the three months ended June 30, 2014			
Basic earnings per share			
Net income	$ 41,972	277,164	$ 0.15
Effect of dilutive potential common shares			
Employee bonus		1,315	
Convertible bonds	1,433	24,510	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	$ 43,405	302,989	$ 0.14
For the three months ended June 30, 2013			
Basic earnings per share			
Net income	$ 13,143	277,164	$ 0.05
Effect of dilutive potential common shares			
Employee share option		870	
Employee bonus		2,704	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	$ 13,143	280,738	$ 0.05
For the six months ended June 30, 2014			
Basic earnings per share			
Net income	$ 48,032	277,164	$ 0.17
Effect of dilutive potential common shares			
Employee bonus		1,381	
Convertible bonds	1,433	12,255	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	$ 49,465	290,800	$ 0.17

(Continued)

	Income After Tax (Attributed to Owners of the Company)	Number of Common Shares Outstanding (In Thousands)	Earnings Per Share (NT$)
For the six months ended June 30, 2013			
Basic earnings per share			
Net income	$ 55,448	277,164	$ 0.20
Effect of dilutive potential common shares			
Employee share option		1,063	
Employee bonus		2,926	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	$ 55,448	281,153	$ 0.20

(Concluded)

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.

24. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

No share options were guaranteed during the six months ended June 30, 2014 and 2013.

Information on employee share options was as follows:

	For the Six Months Ended June 30, 2013	
	Number of Options (In Thousand Shares)	Weighted-average Exercisable Price (NT$)
Balance at January 1	4,515	$ 18.20
Options exercised	-	-
Options expired	-	-
Balance at December 31	4,515	18.20
Options exercisable, end of period	4,515	

As of December 31, 2013, all outstanding options were expired.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

Except for the financial assets carried at cost, of which fair values cannot be reliably measured, the management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

2) Fair value measurements recognized in the consolidated balance sheets

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

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

	June 30, 2014	December 31, 2013	June 30, 2013
Available-for-sale financial assets			
Equity securities listed in the ROC	$ -	$ -	$ -

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

	June 30, 2014	December 31, 2013	June 30, 2013
Financial assets at FVTPL			
Guaranteed financial products	$ -	$ 50,957	$ 136,020

3) 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

	June 30, 2014	December 31, 2013	June 30, 2013
Financial assets			
Loans and receivables			
Cash and cash equivalents	$ 1,950,179	$ 1,422,745	$ 1,207,165
Trade receivable	2,356,209	1,966,820	2,091,107
Other receivables	39,086	32,607	37,744
Refundable deposits (recorded as other non-current assets)	30,619	25,741	25,009

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Financial assets at fair value through profit or loss	$ -	$ 50,957	$ 136,020
Financial assets carried at cost	92,902	111,145	77,945
Financial liabilities			
Measured at amortized cost			
Short-term debts	-	100,000	50,000
Notes and trade payable	2,374,086	2,026,147	2,098,135
Trade payable to related parties	109,596	109,911	94,967
Other payables	1,121,365	1,028,646	1,252,143
Current portion of long-term debts	-	8,333	-
Bonds payable	1,427,179	-	-
Long-term debts	-	791,667	300,000
Advance deposits received (recorded as other non-current liabilities)	895	898	842

(Concluded)

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.

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 29.

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 Six Months Ended June 30	
	2014	**2013**
Profit or loss	$ 4,503	$ 1,925

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:

	June 30, 2014	**December 31, 2013**	**June 30, 2013**
Fair value interest rate risk			
Financial assets	$ 106,566	$ 74,000	$ 88,931
Financial liabilities	-	600,000	250,000
Cash flow interest rate risk			
Financial assets	-	-	-
Financial liabilities	-	300,000	100,000

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:

June 30, 2014

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 3,605,047	$ 1,427,179	$ 895	$ 5,033,121
Variable interest rate instrument	-	-	-	-
Fixed interest rate instrument	-	-	-	-
	$ 3,605,047	$ 1,427,179	$ 895	$ 5,033,121

December 31, 2013

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 3,164,704	$ -	$ 898	$ 3,165,602
Variable interest rate instrument	8,333	291,667	-	300,000
Fixed interest rate instrument	100,000	500,000	-	600,000
	$ 3,273,037	$ 791,667	$ 898	$ 4,065,602

June 30, 2013

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 3,445,245	$ -	$ 842	$ 3,446,087
Variable interest rate instrument	-	100,000	-	100,000
Fixed interest rate instrument	50,000	200,000	-	250,000
	$ 3,495,245	$ 300,000	$ 842	$ 3,796,087

b) Financing facilities

	June 30, 2014	December 31, 2013	June 30, 2013
Unused bank financing facilities	$ 2,558,565	$ 1,238,800	$ 1,719,660

26. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

Related Party	Relationship with the Group
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
Hua Jung Co., Ltd.	Other related parties
Peter Lin	Phihong's chairman

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

b. Trading transactions

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Purchase of goods				
Other related parties	$ 82,369	$ 77,651	$ 167,181	$ 145,863

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

The following balances of trade payables for purchases from related parties were outstanding at the end of the reporting period:

	June 30, 2014	December 31, 2013	June 30, 2013
Other related parties	$ 109,596	$ 109,911	$ 94,967

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 June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Short-term benefits	$ 9,609	$ 7,657	$ 19,140	$ 15,305
Post-employment benefits	108	54	216	108
	$ 9,717	$ 7,711	$ 19,356	$ 15,413

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 December 31, 2013 and June 30, 2013. The amounts of the guarantees were $900,000 thousand and $350,000 thousand, respectively.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	June 30, 2014	December 31, 2013	June 30, 2013
Freehold land	$ 197,586	$ 112,450	$ 112,450
Buildings	144,486	149,409	154,477
Trade receivable	756,069	725,785	764,350
	$ 1,098,141	$ 987,644	$ 1,031,277

28. CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Acquisition of property, plant and equipment	$ 611,368	$ 514,049	$ 408,618

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

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

	June 30, 2014			December 31, 2013			June 30, 2013		
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)
Financial assets									
Monetary items									
USD	$ 101,344	29.915	$ 3,031,706	$ 94,873	29.9000	$ 2,836,703	$ 92,051	30.0200	$ 2,763,371
JPY	264,048	0.29515	77,934	526,578	0.2836	144,338	313,915	0.3070	96,372
HKD	1,507	3.85916	5,816	1,345	3.8557	5,186	3,492	3.8694	13,512
RMB	160,601	4.86083	780,654	52,190	4.8997	255,715	44,857	4.8578	217,906
Financial liabilities									
Monetary items									
USD	61,290	29.915	1,833,490	60,250	29.9000	1,801,475	56,011	30.0200	1,681,450
JPY	16,916	0.29515	4,993	10,761	0.2836	3,052	5,973	0.3070	1,834
HKD	4,305	3,85916	16,614	4,808	3.8557	18,538	4,264	3.8694	16,499
RMB	193,814	4.86083	942,097	132,690	4.8997	650,141	132,061	4.8578	641,526

Note: Exchange rate represents the amount of New Taiwan dollars for which one foreign currency could be exchanged.

30. 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 For the Six Months Ended June 30		Segment Profit For the Six Months Ended June 30	
	2014	2013	2014	2013
Power supply	$ 5,618,007	$ 5,369,257	$ 31,101	$ 84,612
Others	450,401	262,638	3,242	(69,229)
Income from continuing operations	$ 6,068,408	$ 5,631,895	34,343	15,383
Other revenue			85,419	95,517
Other gain and loss			(18,955)	18,151
Financial cost			(11,356)	(2,854)
Investment income recognized under equity method, net			1,839	1,100
Income before income tax			$ 91,290	$ 127,297

b. Segment assets and liabilities

	June 30, 2014	December 31, 2013	June 30, 2013
Power supply segment assets	$ 10,156,069	$ 9,420,592	$ 9,824,590
Other assets	1,036,586	908,337	85,059
Total assets	$ 11,192,655	$ 10,328,929	$ 9,909,649
Power supply segment liabilities	$ 5,192,096	$ 4,287,005	$ 3,992,646
Other liabilities	121,283	115,302	114,305
Total liabilities	$ 5,313,379	$ 4,402,307	$ 4,106,951