

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2014 and 2013 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 September 30, 2014 and 2013, and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2014 and 2013 and changes in equity and cash flows for the nine months ended September 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 12 to the consolidated financial statements, long-term equity investments accounted for under the equity method for the nine months ended September 30, 2014 and 2013 were based on unreviewed financial statements. As of September 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 \$333,833 thousand and \$320,602 thousand, respectively. For the three months and the nine months ended September 30, 2014 and 2013, the Company's investment income from such investments amounted to gain \$2,389 thousand, loss \$871 thousand, gain \$4,228 thousand and gain \$229 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.

November 7, 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 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)

ASSETS	September 30, 2014 (Reviewed)		December 31, 2013 (Audited)		September 30, 2013 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,979,522	18	\$ 1,422,745	14	\$ 1,295,570	13
Financial assets at fair value through profit or loss - current (Note 7)	-	-	50,957	-	139,306	1
Trade receivables and note receivables (Note 9)	2,331,209	21	1,966,820	19	2,167,786	21
Other receivables	37,946	-	32,607	-	31,956	-
Inventories (Note 10)	1,589,373	15	1,706,064	17	1,877,236	18
Prepayment for lease (Note 15)	3,931	-	3,303	-	3,239	-
Noncurrent assets classified as held for sale, net (Note 11)	52,376	1	-	-	-	-
Other current assets	139,732	1	336,490	3	292,843	3
Total current assets	<u>6,134,089</u>	<u>56</u>	<u>5,518,986</u>	<u>53</u>	<u>5,807,936</u>	<u>56</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets measured at cost - non-current (Note 8)	92,902	1	111,145	1	116,451	1
Investments accounted for using equity method (Note 12)	333,833	3	329,633	3	320,602	3
Property, plant and equipment (Note 13)	4,161,197	38	3,986,992	39	3,898,994	37
Intangible assets (Note 14)	48,308	-	46,308	-	45,530	-
Deferred tax assets (Note 23)	39,723	-	47,423	1	47,669	1
Long-term prepayments for lease (Note 15)	156,463	1	133,309	1	131,504	1
Other non-current assets	68,873	1	155,133	2	86,934	1
Total non-current assets	<u>4,901,299</u>	<u>44</u>	<u>4,809,943</u>	<u>47</u>	<u>4,647,684</u>	<u>44</u>
<b>TOTAL</b>	<u>\$ 11,035,388</u>	<u>100</u>	<u>\$ 10,328,929</u>	<u>100</u>	<u>\$ 10,455,620</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term debt (Note 16)	\$ -	-	\$ 100,000	1	\$ 200,000	2
Trade payable	2,245,384	20	2,026,147	20	2,340,859	22
Trade payables to related parties (Note 27)	79,534	1	109,911	1	119,381	1
Other payables (Note 18)	952,026	9	1,028,646	10	1,005,694	10
Current tax liabilities (Notes 4 and 23)	38,582	-	86,446	1	99,491	1
Current portion of long-term borrowings (Note 16)	-	-	8,333	-	200,000	2
Other current liabilities (Note 19)	89,292	1	105,241	1	92,383	1
Total current liabilities	<u>3,404,818</u>	<u>31</u>	<u>3,464,724</u>	<u>34</u>	<u>4,057,808</u>	<u>39</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable (Note 17)	1,423,081	13	-	-	-	-
Long-term borrowings (Note 16)	-	-	791,667	8	400,000	4
Deferred tax liabilities (Note 23)	79,832	1	79,832	1	79,832	1
Accrued pension liabilities (Note 20)	65,824	-	65,186	-	66,666	-
Other non-current liabilities	1,010	-	898	-	880	-
Total non-current liabilities	<u>1,569,747</u>	<u>14</u>	<u>937,583</u>	<u>9</u>	<u>547,378</u>	<u>5</u>
Total liabilities	<u>4,974,565</u>	<u>45</u>	<u>4,402,307</u>	<u>43</u>	<u>4,605,186</u>	<u>44</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)</b>						
Share capital						
Common stock	2,771,639	25	2,771,639	27	2,771,639	26
Certificate of Bond-to-Stock conversion	5,245	-	-	-	-	-
Capital surplus	1,026,456	9	949,615	9	949,615	9
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	828,998	8	853,368	8	859,687	8
Total retained earnings	<u>2,158,258</u>	<u>20</u>	<u>2,167,374</u>	<u>21</u>	<u>2,173,693</u>	<u>21</u>
Other equity						
Exchange differences on translating foreign operations	128,593	1	73,280	-	(5,180)	-
Unrealized loss on available-for-sale financial assets	(20,142)	-	(26,428)	-	(30,680)	-
Total other equity	<u>108,451</u>	<u>1</u>	<u>46,852</u>	<u>-</u>	<u>(35,860)</u>	<u>-</u>
Total equity attributable to owners of the Company	6,070,049	55	5,935,480	57	5,859,087	56
<b>NON-CONTROLLING INTEREST</b>	<u>(9,226)</u>	<u>-</u>	<u>(8,858)</u>	<u>-</u>	<u>(8,653)</u>	<u>-</u>
Total equity	<u>6,060,823</u>	<u>55</u>	<u>5,926,622</u>	<u>57</u>	<u>5,850,434</u>	<u>56</u>
<b>TOTAL</b>	<u>\$ 11,035,388</u>	<u>100</u>	<u>\$ 10,328,929</u>	<u>100</u>	<u>\$ 10,455,620</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 7, 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 September 30				For the Nine Months Ended September 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
NET SALES AND REVENUES (Note 31)	\$ 3,363,106	100	\$ 3,408,602	100	\$ 9,431,514	100	\$ 9,040,497	100
COST OF GOODS SOLD	<u>2,871,229</u>	<u>86</u>	<u>2,829,578</u>	<u>83</u>	<u>8,066,789</u>	<u>85</u>	<u>7,574,521</u>	<u>84</u>
GROSS PROFIT	<u>491,877</u>	<u>14</u>	<u>579,024</u>	<u>17</u>	<u>1,364,725</u>	<u>15</u>	<u>1,465,976</u>	<u>16</u>
OPERATING EXPENSES								
Sales and marketing	172,844	5	162,997	5	503,960	5	513,758	6
General and administration	152,605	5	120,012	4	453,987	5	379,785	4
Research and development	<u>116,095</u>	<u>3</u>	<u>137,752</u>	<u>4</u>	<u>322,102</u>	<u>4</u>	<u>398,787</u>	<u>4</u>
Total operating expenses	<u>441,544</u>	<u>13</u>	<u>420,761</u>	<u>13</u>	<u>1,280,049</u>	<u>14</u>	<u>1,292,330</u>	<u>14</u>
INCOME FROM OPERATIONS	<u>50,333</u>	<u>1</u>	<u>158,263</u>	<u>4</u>	<u>84,676</u>	<u>1</u>	<u>173,646</u>	<u>2</u>
NONOPERATING INCOME (EXPENSES)								
Other income	38,290	1	33,413	1	123,709	1	128,930	1
Other gains (losses) (Note 22)	21,069	1	(34,543)	(1)	2,114	-	(16,392)	-
Finance costs	(6,927)	-	(2,358)	-	(18,283)	-	(5,212)	-
Share of the profit of associates	<u>2,389</u>	<u>-</u>	<u>(871)</u>	<u>-</u>	<u>4,228</u>	<u>-</u>	<u>229</u>	<u>-</u>
Total nonoperating income (expenses)	<u>54,821</u>	<u>2</u>	<u>(4,359)</u>	<u>-</u>	<u>111,768</u>	<u>1</u>	<u>107,555</u>	<u>1</u>
INCOME BEFORE INCOME TAX	105,154	3	153,904	4	196,444	2	281,201	3
INCOME TAX EXPENSE (Note 23)	<u>(24,986)</u>	<u>(1)</u>	<u>(49,097)</u>	<u>(1)</u>	<u>(68,467)</u>	<u>(1)</u>	<u>(123,058)</u>	<u>(1)</u>
NET INCOME	<u>80,168</u>	<u>2</u>	<u>104,807</u>	<u>3</u>	<u>127,977</u>	<u>1</u>	<u>158,143</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Exchange differences on translating foreign operations (Note 21)	81,314	3	(54,384)	(2)	55,133	1	141,829	1
Unrealized gain on available-for-sale financial assets (Note 21)	-	-	-	-	-	-	(1,876)	-
Share of the other comprehensive income of associates (Note 21)	<u>9,857</u>	<u>-</u>	<u>(2,687)</u>	<u>-</u>	<u>6,286</u>	<u>-</u>	<u>(13,201)</u>	<u>-</u>
Total other comprehensive income	<u>91,171</u>	<u>3</u>	<u>(57,071)</u>	<u>(2)</u>	<u>61,419</u>	<u>1</u>	<u>126,752</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 171,339</u>	<u>5</u>	<u>\$ 47,736</u>	<u>1</u>	<u>\$ 189,396</u>	<u>2</u>	<u>\$ 284,895</u>	<u>3</u>
NET INCOME ATTRIBUTABLE TO:								
Owner of the Company	\$ 80,133	2	\$ 104,606	3	\$ 128,165	1	\$ 160,054	2
Non-controlling interests	<u>35</u>	<u>-</u>	<u>201</u>	<u>-</u>	<u>(188)</u>	<u>-</u>	<u>(1,911)</u>	<u>-</u>
	<u>\$ 80,168</u>	<u>2</u>	<u>\$ 104,807</u>	<u>3</u>	<u>\$ 127,977</u>	<u>1</u>	<u>\$ 158,143</u>	<u>2</u>

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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 September 30				For the Nine Months Ended September 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	\$ 171,473	5	\$ 47,391	1	\$ 189,764	2	\$ 288,158	3
Non-controlling interests	<u>(134)</u>	<u>-</u>	<u>345</u>	<u>-</u>	<u>(368)</u>	<u>-</u>	<u>(3,263)</u>	<u>-</u>
	<u>\$ 171,339</u>	<u>5</u>	<u>\$ 47,736</u>	<u>1</u>	<u>\$ 189,396</u>	<u>2</u>	<u>\$ 284,895</u>	<u>3</u>
EARNINGS PER SHARE (Note 24)								
Basic	<u>\$ 0.29</u>		<u>\$ 0.38</u>		<u>\$ 0.46</u>		<u>\$ 0.58</u>	
Diluted	<u>\$ 0.24</u>		<u>\$ 0.38</u>		<u>\$ 0.43</u>		<u>\$ 0.57</u>	

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

(With Deloitte & Touche review report dated November 7, 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						Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital Common Stock	Certificate of Bond-to-Stock Conversion	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, 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 nine months ended September 30, 2013	-	-	-	-	-	160,054	-	-	160,054	(1,911)	158,143
Other comprehensive income (loss) for the nine months ended September 30, 2013, net of income tax	-	-	-	-	-	-	143,181	(15,077)	128,104	(1,352)	126,752
Total comprehensive income (loss) for the nine months ended September 30, 2013	-	-	-	-	-	160,054	143,181	(15,077)	288,158	(3,263)	284,895
BALANCE, SEPTEMBER 30, 2013	\$ 2,771,639	\$ -	\$ 949,615	\$ 1,083,147	\$ 230,859	\$ 859,687	\$ (5,180)	\$ (30,680)	\$ 5,859,087	\$ (8,653)	\$ 5,850,434
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 17)	-	-	71,878	-	-	-	-	-	71,878	-	71,878
Certificate of Bond-to-Stock conversion	-	5,245	4,963	-	-	-	-	-	10,208	-	10,208
Net income (loss) for the nine months ended September 30, 2014	-	-	-	-	-	128,165	-	-	128,165	(188)	127,977
Other comprehensive income (loss) for the nine months ended September 30, 2014, net of income tax	-	-	-	-	-	-	55,313	6,286	61,599	(180)	61,419
Total comprehensive income (loss) for the nine months ended September 30, 2014	-	-	-	-	-	128,165	55,313	6,286	189,764	(368)	189,396
BALANCE, SEPTEMBER 30, 2014	\$ 2,771,639	\$ 5,245	\$ 1,026,456	\$ 1,098,401	\$ 230,859	\$ 828,998	\$ 128,593	\$ (20,142)	\$ 6,070,049	\$ (9,226)	\$ 6,060,823

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

(With Deloitte & Touche review report dated November 7, 2014)

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 196,444	\$ 281,201
Adjustments for:		
Impairment loss recognized (reversal of impairment loss) on trade receivables	1,046	(4,255)
Depreciation	302,733	316,356
Amortization	13,783	13,842
Finance costs	18,283	5,212
Interest income	(13,999)	(7,562)
Dividend income	(4,373)	(234)
Share of profit of associates	(4,228)	(229)
Loss on disposal of property, plant and equipment	21,039	1,639
Loss on disposal of financial assets	-	169
Impairment loss of financial assets measured at cost	11,200	-
Write-down of inventories	10,812	41,721
Net changes in operating assets and liabilities		
Trade receivable	(365,435)	(256,049)
Other receivables	(4,293)	22,667
Inventories	105,879	(238,733)
Other current assets	198,074	(133,568)
Other non-current assets	104,771	(36,137)
Trade payable	219,237	252,557
Trade payable to related parties	(30,377)	71,061
Other payables	(72,743)	(87,160)
Other current liabilities	(15,949)	(1,747)
Reserve for retirement plan	638	(126)
Cash generated from operating activities	692,542	240,625
Interest paid	(10,423)	(4,203)
Interest received	12,953	7,580
Income tax paid	(108,631)	(115,834)
Net cash provided by operating activities	<u>586,441</u>	<u>128,168</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	-	(139,306)
Proceeds on sale of 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
Acquisition of financial assets carried at cost	-	(49,996)
Proceeds on sale of financial assets measured at cost	-	10,483
Decrease and return of capital from investees of financial assets measured at cost	7,043	11,490

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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 Nine Months Ended September 30	
	2014	2013
Payments for property, plant and equipment	\$ (545,656)	\$ (594,172)
Proceeds from disposal of property, plant and equipment	26,431	21,298
Payments for intangible assets	(13,123)	(13,942)
Proceeds from disposal of intangible assets	-	122
Increase in refundable deposits	(18,511)	-
Decrease in refundable deposits	-	4,685
Increase in pre-paid lease payments	(25,468)	-
Dividend received	<u>10,686</u>	<u>6,419</u>
Net cash used in investing activities	<u>(507,641)</u>	<u>(711,827)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term debt	-	200,000
Cash dividends	(137,281)	(277,164)
Repayments of short-term debt	(100,000)	-
Proceeds from issuance of convertible bonds	1,497,331	-
Proceeds from long-term borrowings	-	400,000
Repayments of long-term borrowings	(800,000)	-
Increase in advance deposits received	112	-
Decrease in advance deposits received	<u>-</u>	<u>(105)</u>
Net cash provided by financing activities	<u>460,162</u>	<u>322,731</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>17,815</u>	<u>13,210</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	556,777	(247,718)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,422,745</u>	<u>1,543,288</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,979,522</u>	<u>\$ 1,295,570</u>

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

(With Deloitte & Touche review report dated November 7, 2014)

(Concluded)

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise) (Reviewed, Not Audited)

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### 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 November 7, 2014.

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

- a. 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) in issue but not yet effective

Rule No. 1030029342 and 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 and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

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

(Continued)

<b>New, Amended and Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note)</b>
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 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 and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers 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) IFRS 13 “Fair Value Measurement”

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

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

4) 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 issued 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.

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

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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

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

The initial application of the above New IFRSs 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. When the debt instruments is 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) 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 during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

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

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

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 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.

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

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

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

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.



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

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

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

IAS 34 was amended to clarify that other disclosure information required by IAS 34 should be included in interim financial statements. If the Group includes the information in other statements (such as management commentary or risk report) issued at the same time, it is not required to repeat the disclosure in the interim financial statements. However, it is required to include a cross-reference from the interim financial statements to that issued statements that is available to users on the same terms and at the same time as the interim financial statements.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continually 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:

Investor	Investee	Main Business	Percentage of Ownership		
			September 30, 2014	December 31, 2013	September 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 (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.	Value Dynamic Investment Ltd.	Makes investments	100.00	100.00	100.00
	N-Lighten Technologies, Inc.	Makes investments	58.45	58.45	58.45
N-Lighten Technologies, Inc.	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	Note	89.88	89.88

(Continued)

Investor	Investee	Main Business	Percentage of Ownership		
			September 30, 2014	December 31, 2013	September 30, 2013
Phitek International Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00
Ascent Alliance Ltd.	Suzhou Xin Pihong Electronics Co., Ltd.	Manufactures and sells lighting supplies	Note	10.12	10.12
	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)

Note: Liquidation was completed as of July 2014.

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 nine months ended September 30, 2013 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the nine months ended September 30, 2014.

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

The same critical accounting judgments and key sources of estimation uncertainty of the 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

	September 30, 2014	December 31, 2013	September 30, 2013
Cash on hand	\$ 2,771	\$ 2,267	\$ 1,771
Checking accounts and demand deposits	1,696,005	1,346,478	1,200,584
Time deposits with original maturities less than three months	<u>280,746</u>	<u>74,000</u>	<u>93,215</u>
	<u>\$ 1,979,522</u>	<u>\$ 1,422,745</u>	<u>\$ 1,295,570</u>

The ranges of market rates of demand deposits and time deposits at the end of the reporting period were as follows:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Demand deposits and time deposits	0.01%-2.89%	0.01%-3.30%	0.01%-2.85%

#### **7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
<u>Financial assets designated as at FVTPL</u>			
Guaranteed financial products	\$ <u>          -</u>	\$ <u> 50,957</u>	\$ <u>139,306</u>

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**

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
<u>Unlisted stocks</u>			
Bao-Dian Venture Capital Co., Ltd.	\$ 7,615	\$ 9,015	\$ 12,255
Yuan-Jing Venture Capital Co., Ltd.	11,367	20,010	20,010
Han-Tong Venture Capital Co., Ltd.	48,396	49,996	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	<u>15,400</u>	<u>22,000</u>	<u>22,000</u>
	<u>\$ 92,902</u>	<u>\$ 111,145</u>	<u>\$ 116,451</u>
Classified according to financial asset measurement categories			
Available-for-sale financial assets	\$ 92,902	\$ 111,145	\$ 116,451
Financial instruments at fair value through profit or loss	<u>          -</u>	<u>          -</u>	<u>          -</u>
	<u>\$ 92,902</u>	<u>\$ 111,145</u>	<u>\$ 116,451</u>

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the difficulty to decide the fair values of the investments; 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 September 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 September 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 of Yuan-Jing Venture Capital Co., Ltd., Bao-Dian Venture Capital Co., Ltd., Han-Tong Venture Capital Co., Ltd. and TC-1 Culture Fund as at September 30, 2014, respectively, which were presented under other gains and losses.

## 9. TRADE RECEIVABLE

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Trade receivable	\$ 2,345,822	\$ 1,980,245	\$ 2,190,012
Less: Allowance for doubtful accounts	<u>(14,613)</u>	<u>(13,425)</u>	<u>(22,226)</u>
	<u>\$ 2,331,209</u>	<u>\$ 1,966,820</u>	<u>\$ 2,167,786</u>

The average credit period for sales of goods was 30-70 days. In determining the recoverability of a 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:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Not overdue	\$ 2,283,448	\$ 1,922,281	\$ 2,129,018
Overdue under 60 days	55,082	47,081	45,468
Overdue 60 days and longer	<u>7,292</u>	<u>10,883</u>	<u>15,526</u>
	<u>\$ 2,345,822</u>	<u>\$ 1,980,245</u>	<u>\$ 2,190,012</u>

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

	<b>Individual Impairment Losses</b>	<b>Groups Impairment Losses</b>	<b>Total</b>
Balance at January 1, 2013	\$ 22,067	\$ 8,130	\$ 30,197
(Reversed of)Recognized impairment loss on receivables	(10,500)	6,245	(4,255)
Amounts written off as uncollectible	-	(3,982)	(3,982)
Effect of exchange rate changes	<u>-</u>	<u>266</u>	<u>266</u>
Balance at September 30, 2013	<u>\$ 11,567</u>	<u>\$ 10,659</u>	<u>\$ 22,226</u>
Balance at January 1, 2014	\$ 4,482	\$ 8,943	\$ 13,425
Reversed impairment loss on receivables	-	1,046	1,046
Effect of exchange rate changes	<u>-</u>	<u>142</u>	<u>142</u>
Balance at September 30, 2014	<u>\$ 4,482</u>	<u>\$ 10,131</u>	<u>\$ 14,613</u>

As of September 30, 2014, December 31, 2013 and September 30, 2013, trade receivable of PHA in the amount of \$736,305 thousand, \$725,785 thousand and \$809,782 thousand, respectively, had been pledged to secure short-term debts (the amount was not used as of September 30, 2014, December 31, 2013 and September 30, 2013, respectively). See Note 28 to the consolidated financial statements.

## 10. INVENTORIES

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Raw materials	\$ 470,053	\$ 502,913	\$ 485,790
Work-in-process	214,268	168,856	231,266
Finished goods	291,271	465,439	369,070
Merchandise	<u>613,781</u>	<u>568,856</u>	<u>791,110</u>
	<u>\$ 1,589,373</u>	<u>\$ 1,706,064</u>	<u>\$ 1,877,236</u>

As of September 30, 2014, December 31, 2013 and September 30, 2013, allowance of inventory devaluation was \$335,242 thousand, \$321,282 thousand and \$325,832 thousand, respectively.

For the three months and the nine months ended September 30, 2014 and 2013, the cost of inventories recognized as cost of goods sold was \$2,871,229 thousand, \$2,829,578 thousand, \$8,066,789 thousand and \$7,574,521 thousand, respectively. Provision for inventory (reversal) write-down and obsolescence in the amounts of \$7,254 thousand, \$13,054 thousand, \$10,812 thousand and \$41,721 thousand was included in the cost of goods sold for the three months and the nine months ended September 30, 2014 and 2013, respectively.

## 11. NON-CURRENT ASSETS HELD FOR SALE

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
PHTJ property, plant and equipment	<u>\$ 52,376</u>	<u>\$ -</u>	<u>\$ -</u>

On August 8, 2014, the board of directors resolved to plan to dispose of all of the PHTJ property, plant and equipment. The Company is actively seeking a buyer and expects to complete the deal within 12 months. Therefore, the assets was reclassified to non-current assets held for sale, and presented separately in the consolidated balance sheets. The proceeds of the deal are expected to exceed the net carrying amount of the relevant assets. Accordingly, the Company did not recognize impairment losses on the reclassification.

The classes of property, plant and equipment reclassified as non-current assets held for sale was as follows:

	<b>September 30, 2014</b>
Buildings	\$ 112,734
Machinery and equipment	9,335
Other equipment	5,835
Less: Accumulated depreciation and impairment	<u>(75,528)</u>
	<u>\$ 52,376</u>

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
<u>Unlisted stocks</u>			
Hao-Xuan Venture Capital Co., Ltd.	\$ 62,302	\$ 40,208	\$ 41,362
H&P Venture Capital Co., Ltd.	137,739	137,642	146,126
Han-Yu Venture Capital Co., Ltd.	103,741	116,630	98,072
Spring City Resort Co., Ltd.	<u>30,051</u>	<u>35,153</u>	<u>35,042</u>
	<u>\$ 333,833</u>	<u>\$ 329,633</u>	<u>\$ 320,602</u>

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

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
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:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>	
Total assets	<u>\$ 1,701,042</u>	<u>\$ 1,735,926</u>	<u>\$ 1,706,286</u>	
Total liabilities	<u>\$ 462,603</u>	<u>\$ 482,631</u>	<u>\$ 454,945</u>	
	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenue for the period	<u>\$ 105,543</u>	<u>\$ 137,273</u>	<u>\$ 391,147</u>	<u>\$ 297,185</u>
Profit for the period	<u>\$ (13,692)</u>	<u>\$ (30,301)</u>	<u>\$ 20,805</u>	<u>\$ (27,693)</u>
Other comprehensive income (loss) for the period	<u>\$ (27,149)</u>	<u>\$ 81,314</u>	<u>\$ 523</u>	<u>\$ 91,462</u>

The equity-method investees' financial statements for the three months and the nine months ended September 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.

### 13. PROPERTY, PLANT AND EQUIPMENT

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Construction in Progress</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2013	\$ 254,350	\$ 2,446,205	\$ 2,365,881	\$ 604,405	\$ 284,237	\$ 5,955,078
Additions	16,379	31,342	50,110	36,639	491,768	626,238
Disposals	-	(2,603)	(37,977)	(24,325)	-	(64,905)
Effect of foreign currency exchange differences	993	84,077	89,533	13,743	9,635	197,981
Others	<u>-</u>	<u>1,214</u>	<u>104,327</u>	<u>(63,508)</u>	<u>(42,475)</u>	<u>(442)</u>
Balance at September 30, 2013	<u>\$ 271,722</u>	<u>\$ 2,560,235</u>	<u>\$ 2,571,874</u>	<u>\$ 566,954</u>	<u>\$ 743,165</u>	<u>\$ 6,713,950</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2013	\$ -	\$ 837,046	\$ 1,186,716	\$ 437,732	\$ -	\$ 2,461,494
Disposals	-	(1,463)	(20,459)	(21,745)	-	(43,667)
Depreciation	-	75,212	191,293	49,851	-	316,356
Effect of foreign currency exchange differences	-	27,771	42,875	10,127	-	80,773
Others	<u>-</u>	<u>(1,144)</u>	<u>59,677</u>	<u>(58,533)</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2013	<u>\$ -</u>	<u>\$ 937,422</u>	<u>\$ 1,460,102</u>	<u>\$ 417,432</u>	<u>\$ -</u>	<u>\$ 2,814,956</u>
Carrying amounts at January 1, 2013	<u>\$ 254,350</u>	<u>\$ 1,609,159</u>	<u>\$ 1,179,165</u>	<u>\$ 166,673</u>	<u>\$ 284,237</u>	<u>\$ 3,493,584</u>
Carrying amounts at September 30, 2013	<u>\$ 271,722</u>	<u>\$ 1,622,813</u>	<u>\$ 1,111,772</u>	<u>\$ 149,522</u>	<u>\$ 743,165</u>	<u>\$ 3,898,994</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	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	-	33,139	104,693	44,899	358,810	541,541
Disposals	-	(21,823)	(87,302)	(28,756)	-	(137,881)
Effect of foreign currency exchange differences	653	22,982	27,145	3,910	10,743	65,433
Others	-	(100,389)	(9,267)	(3,615)	(15,124)	(128,395)
Balance at September 30, 2014	<u>\$ 272,139</u>	<u>\$ 2,545,521</u>	<u>\$ 2,669,429</u>	<u>\$ 608,640</u>	<u>\$ 1,192,535</u>	<u>\$ 7,288,264</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2014	\$ -	\$ 978,713	\$ 1,546,586	\$ 435,275	\$ -	\$ 2,960,574
Disposals	-	(8,435)	(55,818)	(26,591)	-	(90,844)
Depreciation	-	76,038	179,948	46,747	-	302,733
Effect of foreign currency exchange differences	-	9,265	16,864	3,178	-	29,307
Others	-	(59,793)	(9,266)	(5,644)	-	(74,703)
Balance at September 30, 2014	<u>\$ -</u>	<u>\$ 995,788</u>	<u>\$ 1,678,314</u>	<u>\$ 452,965</u>	<u>\$ -</u>	<u>\$ 3,127,067</u>
Carrying amounts at January 1, 2014	<u>\$ 271,486</u>	<u>\$ 1,632,899</u>	<u>\$ 1,087,574</u>	<u>\$ 156,927</u>	<u>\$ 838,106</u>	<u>\$ 3,986,992</u>
Carrying amounts at September 30, 2014	<u>\$ 272,139</u>	<u>\$ 1,549,733</u>	<u>\$ 991,115</u>	<u>\$ 155,675</u>	<u>\$ 1,192,535</u>	<u>\$ 4,161,197</u>

(Concluded)

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

#### 14. INTANGIBLE ASSETS

	September 30, 2014	December 31, 2013	September 30, 2013
Computer software	<u>\$ 48,308</u>	<u>\$ 46,308</u>	<u>\$ 45,530</u>

Except for amortization recognized, the Group had neither significant addition, disposal, nor impairment of other intangible assets during the nine months ended September 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.



## 15. PREPAYMENTS FOR LEASE

	September 30, 2014	December 31, 2013	September 30, 2013
Current	\$ 3,931	\$ 3,303	\$ 3,239
Noncurrent	<u>156,463</u>	<u>133,309</u>	<u>131,504</u>
	<u>\$ 160,394</u>	<u>\$ 136,612</u>	<u>\$ 134,743</u>

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

## 16. BORROWINGS

### Short-term Debt

	September 30, 2014	December 31, 2013	September 30, 2013
<u>Unsecured loan</u>			
Bank borrowings	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 200,000</u>
Interest rate	<u>-</u>	<u>1.32%</u>	<u>1.32%</u>

### Long-term Debt

	September 30, 2014	December 31, 2013	September 30, 2013
<u>Unsecured loan</u>			
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	100,000
Medium-term 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	-

(Continued)

	September 30, 2014	December 31, 2013	September 30, 2013
Medium-term loan			
Repayable from September 27, 2012 to September 27, 2014; interest rate was 1.37% on September 30, 2013. Interest is paid monthly and principal is due on September 27, 2014. Principal was fully repaid in December 2013.	\$ -	\$ -	\$ 100,000
<u>Secured loan</u>			
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	100,000
Medium-term secured loan			
Repayable from September 27, 2012 to September 27, 2014; interest rate was 1.37% on September 30, 2013. Interest is paid monthly and principal is due on September 27, 2014. Principal was fully repaid in December 2013.	-	-	100,000
Medium-term secured loan			
Repayable from August 13, 2013 to August 13, 2015; interest rate was 1.37% on September 30, 2013. Interest is due monthly and principal is due on August 13, 2015. Principal was fully repaid in December 2013.	-	-	<u>100,000</u>
	-	800,000	600,000
Less: Long-term loans payable - current portion	-	<u>(8,333)</u>	<u>(200,000)</u>
	<u>\$ -</u>	<u>\$ 791,667</u>	<u>\$ 400,000</u> (Concluded)

For pledged properties and endorsements/guarantees, please see Notes 27 and 28 to the consolidated financial statements.

## 17. BONDS PAYABLE

	September 30, 2014	December 31, 2013	September 30, 2013
Unsecured domestic convertible bonds	\$ <u>1,423,081</u>	\$ <u>-</u>	\$ <u>-</u>

On June 4, 2014, the Company issued 15 thousand units of \$100 thousand 0% NT 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. From 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 1.7% 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)	<u>(71,878)</u>
Liability component at the date of issue	1,425,453
Interest charged at an effective interest rate of 1.70%	7,836
Conversion to common shares	<u>(10,208)</u>
Liability component at September 30, 2014	<u>\$ 1,423,081</u>

As of September 30, 2014, \$10,700 thousand of the convertible bonds have been converted into 5,245 thousand ordinary shares. Because the capital registration procedures were in process, the ordinary shares were recorded as "certificate of Bond-to-Stock conversion" at September 30, 2014.

## 18. OTHER PAYABLES

	September 30, 2014	December 31, 2013	September 30, 2013
Payable for purchase of equipment	\$ 33,832	\$ 37,946	\$ 45,225
Payable for salaries and bonus	309,459	307,706	294,855
Compensation payable to employees and directors and supervisors	23,070	27,456	28,810
Payable for annual leave	41,439	37,880	36,626
Others	<u>544,226</u>	<u>617,658</u>	<u>600,178</u>
	<u>\$ 952,026</u>	<u>\$ 1,028,646</u>	<u>\$ 1,005,694</u>

## 19. PROVISION (RECORDED AS OTHER CURRENT LIABILITIES)

	September 30, 2014	December 31, 2013	September 30, 2013
Warranties	\$ 10,467	\$ 9,444	\$ 10,505
Export losses	<u>49,052</u>	<u>49,052</u>	<u>49,052</u>
	<u>\$ 59,519</u>	<u>\$ 58,496</u>	<u>\$ 59,557</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.

## 20. 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 September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Operating cost	\$ 74	\$ 51	\$ 231	\$ 148
Marketing expenses	164	73	450	223
Administration expenses	110	69	325	214
Research and development expenses	<u>426</u>	<u>344</u>	<u>1,316</u>	<u>1,027</u>
	<u>\$ 774</u>	<u>\$ 537</u>	<u>\$ 2,322</u>	<u>\$ 1,612</u>

## 21. EQUITY

### Share Capital

	September 30, 2014	December 31, 2013	September 30, 2013
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>277,164</u>	<u>277,164</u>	<u>277,164</u>
Shares issued	<u>\$ 2,771,639</u>	<u>\$ 2,771,639</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 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 \$50,000 thousand total. Each share's exercise value is NT\$0. 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 September 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 \$50,000 thousand total. Each share's exercise value is NT\$0. 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.

In the third quarter of 2014, \$10,700 thousand of convertible bonds have been converted into the 5,245 thousand ordinary shares. Because the capital registration procedures were in process, the ordinary shares were recorded as "certificate of Bond-to-Stock conversion".

### Capital Surplus

	September 30, 2014	December 31, 2013	September 30, 2013
Issuance of common shares	\$ 226,556	\$ 226,556	\$ 226,556
Conversion of bonds	667,058	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	<u>71,365</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,026,456</u>	<u>\$ 949,615</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).

### 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 nine months ended September 30, 2014 and 2013, the bonus to employees were estimated \$20,763 thousand and \$25,929 thousand, respectively, and the remuneration to directors and supervisors were \$2,307 thousand and \$2,881 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.

The Company appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC on April 6, 2012 and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Year 2013</b>	<b>For Year 2012</b>	<b>For Year 2013</b>	<b>For Year 2012</b>
Legal reserve	\$ 15,254	\$ 30,955	\$ -	\$ -
Cash dividends	137,281	277,164	0.5	1.0
	<b>For the Year Ended 2013</b>		<b>For the Year Ended 2012</b>	
	<b>Cash Dividends</b>	<b>Stock Dividends</b>	<b>Cash Dividends</b>	<b>Stock Dividends</b>
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:

	September 30, 2014	December 31, 2013	September 30, 2013
Special reserve	\$ <u>230,859</u>	\$ <u>230,859</u>	\$ <u>230,859</u>

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 Nine Months Ended September 30	
	2014	2013
Balance at January 1	\$ 73,280	\$ (148,361)
Exchange differences arising on translating foreign operations	<u>55,313</u>	<u>143,181</u>
Balance at September 30	\$ <u>128,593</u>	\$ <u>(5,180)</u>

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 Nine Months Ended September 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	<u>6,286</u>	<u>(13,201)</u>
Balance at September 30	\$ <u>(20,142)</u>	\$ <u>(30,680)</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>
Balance at January 1	\$ (8,858)	\$ (5,390)
Attributable to non-controlling interests:		
Share of profit (loss) for the period	(188)	(1,911)
Exchange difference arising on translation of foreign entities	<u>(180)</u>	<u>(1,352)</u>
Balance at September 30	<u>\$ (9,226)</u>	<u>\$ (8,653)</u>

## 22. NET PROFIT FROM CONTINUING OPERATIONS

### a. Other gains and losses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Loss on disposal of property, plant and equipment	\$ (12,054)	\$ (236)	\$ (21,039)	\$ (1,639)
Exchange gain (loss), net	33,291	(30,954)	38,197	(10,267)
Loss on disposal of investment	-	-	-	(169)
Impairment loss	-	-	(11,200)	-
Others	<u>(168)</u>	<u>(3,353)</u>	<u>(3,844)</u>	<u>(4,317)</u>
	<u>\$ 21,069</u>	<u>\$ (34,543)</u>	<u>\$ 2,114</u>	<u>\$ (16,392)</u>

### b. Depreciation and amortization

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
An analysis of depreciation by function				
Operating costs	\$ 58,771	\$ 66,197	\$ 181,812	\$ 199,393
Operating expenses	<u>40,122</u>	<u>38,724</u>	<u>120,921</u>	<u>116,963</u>
	<u>\$ 98,893</u>	<u>\$ 104,921</u>	<u>\$ 302,733</u>	<u>\$ 316,356</u>
An analysis of amortization by function				
Operating costs	\$ 1,284	\$ 1,052	\$ 3,729	\$ 3,054
Operating expenses	<u>3,641</u>	<u>3,676</u>	<u>10,054</u>	<u>10,788</u>
	<u>\$ 4,925</u>	<u>\$ 4,728</u>	<u>\$ 13,783</u>	<u>\$ 13,842</u>



c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Post-employment benefits (Note 20)				
Defined contribution plans	\$ 6,073	\$ 5,665	\$ 17,619	\$ 16,611
Defined benefit plans	<u>774</u>	<u>537</u>	<u>2,322</u>	<u>1,612</u>
	<u>6,847</u>	<u>6,202</u>	<u>19,941</u>	<u>18,223</u>
Short-term employee benefits	<u>650,899</u>	<u>650,304</u>	<u>1,944,349</u>	<u>1,819,707</u>
	<u>\$ 657,746</u>	<u>\$ 656,506</u>	<u>\$ 1,964,290</u>	<u>\$ 1,837,930</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 417,441	\$ 417,015	\$ 1,273,204	\$ 1,148,475
Operating expenses	<u>240,305</u>	<u>239,491</u>	<u>691,086</u>	<u>689,455</u>
	<u>\$ 657,746</u>	<u>\$ 656,506</u>	<u>\$ 1,964,290</u>	<u>\$ 1,837,930</u>

**23. 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 September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Current tax				
In respect of the current period	\$ 17,739	\$ 49,097	\$ 65,683	\$ 104,925
In respect of prior periods	-	-	(4,463)	17,240
Additional tax at 10% of unappropriated earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>143</u>
	<u>17,739</u>	<u>49,097</u>	<u>61,220</u>	<u>122,308</u>
Deferred tax				
In respect of the current period	<u>7,247</u>	<u>-</u>	<u>7,247</u>	<u>750</u>
Total income tax expense recognized in the current period	<u>\$ 24,986</u>	<u>\$ 49,097</u>	<u>\$ 68,467</u>	<u>\$ 123,058</u>

b. Information on integrated income tax was as follows:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -	\$ -
Unappropriated earnings generated on and after January 1, 1998	<u>828,998</u>	<u>853,368</u>	<u>859,687</u>
	<u>\$ 828,998</u>	<u>\$ 853,368</u>	<u>\$ 859,687</u>
Balance of imputation credit account (ICA)	<u>\$ 188,657</u>	<u>\$ 205,517</u>	<u>\$ 191,393</u>

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

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.

## 24. EARNINGS PER SHARE

	<b>Income After Tax (Attributed to Owners of the Company)</b>	<b>Number of Common Shares Outstanding (In Thousands)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the three months ended September 30, 2014</u>			
Basic earnings per share			
Net income	\$ 80,133	277,355	<u>\$ 0.29</u>
Effect of dilutive potential common shares			
Employee bonus		1,147	
Convertible bonds	<u>5,071</u>	<u>75,173</u>	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	<u>\$ 85,204</u>	<u>353,675</u>	<u>\$ 0.24</u>

(Continued)

	<b>Income After Tax (Attributed to Owners of the Company)</b>	<b>Number of Common Shares Outstanding (In Thousands)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the three months ended September 30, 2013</u>			
Basic earnings per share			
Net income	<u>\$ 104,606</u>	277,164	<u>\$ 0.38</u>
Effect of dilutive potential common shares			
Employee share option		108	
Employee bonus		<u>1,429</u>	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	<u>\$ 104,606</u>	<u>278,701</u>	<u>\$ 0.38</u>
<u>For the nine months ended September 30, 2014</u>			
Basic earnings per share			
Net income	\$ 128,165	277,230	<u>\$ 0.46</u>
Effect of dilutive potential common shares			
Employee bonus		1,829	
Convertible bonds	<u>6,504</u>	<u>33,615</u>	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	<u>\$ 134,669</u>	<u>312,674</u>	<u>\$ 0.43</u>
<u>For the nine months ended September 30, 2013</u>			
Basic earnings per share			
Net income	<u>\$ 160,054</u>	277,164	<u>\$ 0.58</u>
Effect of dilutive potential common shares			
Employee share option		795	
Employee bonus		<u>2,864</u>	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	<u>\$ 160,054</u>	<u>280,823</u>	<u>\$ 0.57</u> (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.

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

### Employee Share Option Plan of the Company

No share options were guaranteed during the nine months ended September 30, 2014 and 2013.

Information on employee share options was as follows:

	<b>For the Nine Months Ended September 30, 2013</b>	
	<b>Number of Options (In Thousand Shares)</b>	<b>Weighted- average Exercisable Price (NT\$)</b>
Balance at January 1	4,515	\$ 18.20
Options exercised	-	-
Options expired	<u>-</u>	-
Balance at September 30	<u>4,515</u>	17.30
Options exercisable, end of period	<u>4,515</u>	

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

## 26. 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:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Available-for-sale financial assets			
Equity securities listed in the ROC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- 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):

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Financial assets at FVTPL			
Guaranteed financial products	\$ <u>          -</u>	\$ <u>  50,957</u>	\$ <u> 139,306</u>

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

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
<u>Financial assets</u>			
Loans and receivables			
Cash and cash equivalents	\$ 1,979,522	\$ 1,422,745	\$ 1,295,570
Trade receivable	2,331,209	1,966,820	2,167,786
Other receivables	37,946	32,607	31,956
Refundable deposits (recorded as other non-current assets)	44,252	25,741	23,448
Financial assets at fair value through profit or loss	-	50,957	139,306
Financial assets carried at cost	92,902	111,145	116,451
<u>Financial liabilities</u>			
Measured at amortized cost			
Short-term debts	-	100,000	200,000
Notes and trade payable	2,245,384	2,026,147	2,340,859
Trade payable to related parties	79,534	109,911	119,381
Other payables	952,026	1,028,646	1,005,694
Current portion of long-term debts	-	8,333	200,000
Bonds payable	1,423,081	-	-
Long-term debts	-	791,667	400,000
Advance deposits received (recorded as other non-current liabilities)	1,010	898	880

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 30.

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 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 the balances below would be negative.

	<b>Currency USD Impact</b>	
	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2014</b>	<b>2013</b>
Profit or loss	\$ 7,059	\$ 2,231

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:

	<b>September 30,</b>	<b>December 31,</b>	<b>September 30,</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
Fair value interest rate risk			
Financial liabilities	\$ -	\$ 600,000	\$ 500,000
Cash flow interest rate risk			
Financial liabilities	-	300,000	300,000

## 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:

#### September 30, 2014

	<b>On Demand or Less than 1 Year</b>	<b>1 to 3 Years</b>	<b>Over 3 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,276,944	\$ 1,423,081	\$ 1,010	\$ 4,701,035
Variable interest rate instrument	-	-	-	-
Fixed interest rate instrument	-	-	-	-
	<u>\$ 3,276,944</u>	<u>\$ 1,423,081</u>	<u>\$ 1,010</u>	<u>\$ 4,701,035</u>

#### December 31, 2013

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

September 30, 2013

	<b>On Demand or Less than 1 Year</b>	<b>1 to 3 Years</b>	<b>Over 3 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,465,934	\$ -	\$ 880	\$ 3,466,814
Variable interest rate instrument	-	300,000	-	300,000
Fixed interest rate instrument	<u>400,000</u>	<u>100,000</u>	<u>-</u>	<u>500,000</u>
	<u>\$ 3,865,934</u>	<u>\$ 400,000</u>	<u>\$ 880</u>	<u>\$ 4,266,814</u>

b) Financing facilities

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Unused bank financing facilities	<u>\$ 2,564,725</u>	<u>\$ 1,238,800</u>	<u>\$ 1,088,580</u>

## 27. 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
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

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Purchase of goods</u>				
Other related parties	<u>\$ 71,582</u>	<u>\$ 94,840</u>	<u>\$ 238,763</u>	<u>\$ 240,703</u>

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:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Other related parties	<u>\$ 79,534</u>	<u>\$ 109,911</u>	<u>\$ 119,381</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:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Short-term benefits	\$ 9,501	\$ 8,896	\$ 28,641	\$ 24,201
Post-employment benefits	<u>108</u>	<u>94</u>	<u>324</u>	<u>202</u>
	<u>\$ 9,609</u>	<u>\$ 8,990</u>	<u>\$ 28,965</u>	<u>\$ 24,403</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 chairman of Pihong, Peter Lin, has guaranteed the payments of the loans of the Company as of December 31, 2013 and September 30, 2013. The amounts of the guarantees were \$900,000 thousand and \$800,000 thousand, respectively.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Freehold land	\$ 197,586	\$ 112,450	\$ 112,450
Buildings	143,124	149,409	151,870
Trade receivable	<u>736,305</u>	<u>725,785</u>	<u>809,782</u>
	<u>\$ 1,077,015</u>	<u>\$ 987,644</u>	<u>\$ 1,074,102</u>

## 29. CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Acquisition of property, plant and equipment	<u>\$ 549,560</u>	<u>\$ 514,049</u>	<u>\$ 503,971</u>

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

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

	September 30, 2014			December 31, 2013			September 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)
<b>Financial assets</b>									
<b>Monetary items</b>									
USD	\$ 153,103	30.4750	\$ 4,665,814	\$ 94,873	29.9000	\$ 2,836,703	\$ 120,173	29.5400	\$ 3,549,910
JPY	187,407	0.2787	52,230	526,578	0.2836	144,338	463,588	0.2983	138,288
HKD	4,504	3.9264	17,685	1,345	3.8557	5,186	1,643	3.8095	6,259
RMB	137,781	4.9521	682,305	52,190	4.8997	255,715	42,774	4.8036	205,469
<b>Financial liabilities</b>									
<b>Monetary items</b>									
USD	102,743	30.4750	3,131,093	60,250	29.9000	1,801,475	71,232	29.5400	2,104,193
JPY	18,700	0.2787	5,212	10,761	0.2836	3,052	4,500	0.2983	1,342
HKD	5,565	3.9264	21,850	4,808	3.8557	18,538	4,950	3.8095	18,857
RMB	222,171	4.9521	1,100,213	132,690	4.8997	650,141	154,414	4.8036	741,743

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

### 31. 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 Nine Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Power supply	\$ 8,778,052	\$ 8,569,599	\$ 78,609	\$ 268,073
Others	<u>653,462</u>	<u>470,898</u>	<u>6,067</u>	<u>(94,427)</u>
Income from continuing operations	<u>\$ 9,431,514</u>	<u>\$ 9,040,497</u>	84,676	173,646
Other revenue			123,709	128,930
Other gain and loss			2,114	(16,392)
Financial cost			(18,283)	(5,212)
Investment income recognized under equity method, net			<u>4,228</u>	<u>229</u>
Income before income tax			<u>\$ 196,444</u>	<u>\$ 281,201</u>

b. Segment assets and liabilities

	<b>September 30, 2014</b>	<b>December 31, 2013</b>	<b>September 30, 2013</b>
Power supply segment assets	\$ 10,096,231	\$ 9,420,592	\$ 9,928,282
Other assets	<u>939,157</u>	<u>908,337</u>	<u>527,338</u>
Total assets	<u>\$ 11,035,388</u>	<u>\$ 10,328,929</u>	<u>\$ 10,455,620</u>
Power supply segment liabilities	\$ 4,848,090	\$ 4,287,005	\$ 4,466,137
Other liabilities	<u>126,475</u>	<u>115,302</u>	<u>139,049</u>
Total liabilities	<u>\$ 4,974,565</u>	<u>\$ 4,402,307</u>	<u>\$ 4,605,186</u>