ZENG HSING INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Notice to readers:
The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

The Board of Directors and Stockholders of
ZENG HSING INDUSTRIAL CO., LTD.

We have audited the accompanying parent company only balance sheets of Zeng Hsing Industrial Co., Ltd. (the "Company") as of December 31, 2014 and 2013, and the related parent company only statements of comprehensive income, parent company only changes in equity and parent company only cash flows for the years ended December 31, 2014 and 2013. These standalone financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these parent company only financial statements based on our audits.

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

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of Zeng Hsing Industrial Co., Ltd. As of December 31, 2014 and 2013,and the results of its operation and its cash flows for the years then ended December 31, 2014 and 2013 in conformity with requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
March 16, 2015
Taichung, Taiwan
Republic of China

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

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2014 and December 31, 2013
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As of December 31, 2014	As of December 31, 2013
Current Assets			
Cash and cash equivalents	4, 6(1)	$786,902	$1,377,963
Financial assets at fair value through profit or loss, current	4, 6(2)	60,001	-
Accounts receivable, net	4, 6(3)	1,359,335	1,136,067
Accounts receivable, net - Related parties	4, 6(3), 7	131,301	113,846
Other receivables	4, 6(3)	12,483	1,624
Other receivables - Related parties	4, 6(3), 7	8,285	-
Inventories, net	4, 6(4)	51,933	57,489
Prepayment		11,083	3,448
Other current assets		2,444	764
Total Current Assets		2,423,767	2,691,201
Non-current assets			
Financial assets measured at cost, noncurrent	4, 6(5)	-	630
Bond investments with no active market, noncurrent	8	200	200
Investments accounted for under the equity method	4, 6(6)	2,622,208	2,227,615
Property, plant and equipment	4, 6(7), 8	125,716	134,750
Intangible assets	4, 6(8)	23,775	9,460
Deferred tax assets	4, 6(18)	27,517	27,154
Deposits-out		3,142	872
Other long-term investments		4,485	2,628
Other non-current assets	4, 6(9)	3,362	14,834
Total non-current assets		2,810,405	2,418,143
Total assets		$5,234,172	$5,109,344

(The accompanying notes are an integral part of the parent company only financial statements)

(continued)

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2014 and December 31, 2013
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As of December 31, 2014	As of December 31, 2013
Current liabilities			
Short-term loans	4, 6(10)	$ -	$280,000
Short-term notes and bills payable	4, 6(11)	-	100,000
Financial liabilities at fair value through profit or loss, current		1,470	304
Notes payable		87,085	87,112
Notes payable - Related parties	7	99	4,202
Accounts payable		55,775	51,894
Accounts payable - Related parties	7	564,418	442,153
Other payables		142,826	130,408
Current tax liabilities	4, 6(18)	111,002	82,813
Other current liabilities		16,579	17,801
Total current liabilities		979,254	1,196,687
Non-current liabilities			
Deferred tax liabilities	4, 6(18)	147,047	106,104
Accrued pension liabilities		65,404	89,670
Deposits-in		-	1,947
Total non-current liabilities		212,451	197,721
Total liabilities		1,191,705	1,394,408
Equity attributable to the parent company	4, 6(13)		
Capital			
Common stock		605,526	605,526
Additional paid-in capital			
Capital Surplus-Additional Paid-In Capital		1,308,533	1,308,533
Capital Surplus-Donated Assets Received		314	314
Capital Surplus-Other		78,498	78,498
Total Additional paid-in capital		1,387,345	1,387,345
Retained earnings			
Legal reserve		476,588	405,775
Special reserve		3,475	73,367
Retained earnings		1,548,942	1,246,398
Total Retained earnings		2,029,005	1,725,540
Other components of equity			
Exchange differences on translation of foreign operations		20,591	(3,475)
Total equity		4,042,467	3,714,936
Total liabilities and equity		$5,234,172	$5,109,344

(The accompanying notes are an integral part of the parent company only financial statements)

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2014 and 2013
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the Years Ended December 31, 2014	2013
Net Sales	6(14), 7	$5,795,436	$5,222,899
Cost of Sales	6(15), 7	(4,660,137)	(4,231,995)
Gross Profit		1,135,299	990,904
Unrealized Intercompany Profit		(4,846)	(3,456)
Realized Intercompany Profit		3,456	1,507
Gross Profit		1,133,909	988,955
Operating Expenses	6(15)		
Selling and marketing		(69,517)	(71,274)
Management and administrative		(220,950)	(205,088)
Research and development		(106,630)	(100,056)
Total Operating Expenses		(397,097)	(376,418)
Operating Income		736,812	612,537
Non-operating income and expenses	6(16)		
Other revenue		30,531	56,013
Other gain and loss		87,029	38,605
Financial costs		(420)	(1,530)
Share of profit or loss of associates and joint ventures		161,890	171,633
Subtotal		279,030	264,721
Income from continuing operations before income tax		1,015,842	877,258
Income tax expense	6(18)	(186,496)	(169,126)
Income from Continuing Operations, Net of Tax		829,346	708,132
Other comprehensive income	6(17)		
Exchange differences on translation of foreign operations		28,995	670
Actuarial gain (loss) on defined benefit plans		23,003	4,688
Income tax related to components of other comprehensive income		(8,839)	(911)
Total other comprehensive income (Loss) , net of tax		43,159	4,447
Total comprehensive income		$872,505	$712,579
Earnings per share (NTD)	6(19)		
Earnings per share-basic		$13.70	$13.05
Earnings per share-diluted		$13.65	$13.00

(The accompanying notes are an integral part of the parent company only financial statements)

ZENG HSING INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2014 and 2013

(Expressed in Thousands of New Taiwan Dollars)

	Notes	Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Total
Balance as of January 1, 2013	6(13)	$516,692	$602,491	$347,338	$75,590	$1,003,943	$(4,031)	$2,542,023
Appropriations of earnings, 2012:								
Legal reserve				58,437		(58,437)		-
Special reserve					(2,223)	2,223		-
Stock dividends		25,834				(25,834)		-
Cash dividends						(387,520)		(387,520)
Capital injection		63,000	784,854					847,854
Net income for the years ended December 31, 2013						708,132		708,132
Other comprehensive income, net of tax for the years ended December 31,2013						3,891	556	4,447
Total comprehensive income		-	-	-	-	712,023	556	712,579
Balance as of December 31, 2013	6(13)	$605,526	$1,387,345	$405,775	$73,367	$1,246,398	$(3,475)	$3,714,936
Balance as of January 1, 2014	6(13)	$605,526	$1,387,345	$405,775	$73,367	$1,246,398	($3,475)	$3,714,936
Appropriations of earnings, 2013:								
Legal reserve				70,813		(70,813)		-
Special reserve					(69,892)	69,892		-
Cash Dividends						(544,974)		(544,974)
Net income for the years ended December 31, 2014						829,346		829,346
Other comprehensive income, net of tax for the years ended December 31,2014						19,093	24,066	43,159
Total comprehensive income		-	-	-	-	848,439	24,066	872,505
Balance as of December 31, 2014	6(13)	$605,526	$1,387,345	$476,588	$3,475	$1,548,942	$20,591	$4,042,467

(The accompanying notes are an integral part of the parent company only financial statements)

ZENG HSING INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended December 31,	
	2014	2013
Cash flows from operating activities:		
Net income before tax	$1,015,842	$877,258
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of compensatory cost for new shares issued for cash	-	43,470
Depreciation	16,150	15,990
Amortization	8,697	7,621
Gain on disposal of financial assets measured at cost	(2,331)	-
(Gain) loss on disposal of property, plant and equipment	(265)	5
Net loss (gain) of financial assets at fair value through profit or loss	7,291	(440)
Loss (gain) from price reduction (recovery) of inventories	7,642	(542)
Share of loss of subsidiaries, associates and joint ventures	(161,890)	(171,633)
Loss provision (gain reversal) for doubtful accounts	509	(25,263)
Unrealized Intercompany Profit	4,846	3,456
Realized Intercompany Profit	(3,456)	(1,507)
Interest revenue	(3,687)	(1,118)
Interest expense	420	1,530
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss	(66,126)	30,745
(Increase) decrease in accounts receivable	(223,777)	5,595
Increase in accounts receivable - Related parties	(17,455)	(40,308)
Increase in inventories, net	(2,086)	(7,230)
(Increase) decrease in other receivables	(10,859)	720
(Increase) decrease in other receivables - Related parties	(8,285)	88,209
(Increase) dearease in prepayments	(7,635)	638
(Increase) dearease in other current assets	(1,680)	1,068
Decrease (increase) in other assets-others	10,009	(16,324)
(Decrease) increase in notes payable	(27)	14,826
(Decrease) increase in notes payable - Related parties	(4,103)	4,029
Increase in accounts payable	3,881	25,571
Increase in accounts payable - Related parties	122,265	72,970
Increase in other payables	12,418	25,722
Dncrease in other current liabilities	(1,222)	(541)
Decrease in accrued pension liabilities	(1,263)	(10,233)
Cash generated from operations	693,823	944,284
Interest received	3,687	1,118
Income tax paid	(126,566)	(129,668)
Net cash provided by operating activities	570,944	815,734

(The accompanying notes are an integral part of the parent company only financial statements)

(Continued)

ZENG HSING INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended December 31,	
	2014	2013
(Continued)		
Cash flows from investing activities:		
Increase in investments accounted for under the equity method	$(216,122)	$(515,624)
Disposal of financial assets measured at cost	2,961	-
Acquisition of property, plant and equipment	(6,814)	(8,002)
Proceeds from disposal of property, plant and equipment	1,227	591
Increase in other long-term investments	(1,857)	-
Increase in deposits-out	(2,270)	(12)
Increase in intangible assets	(22,813)	(3,868)
Dividends received	11,024	4,823
Net cash used in investing activities	(234,664)	(522,092)
Cash flows from financing activities:		
(Decrease) increase in deposits-in	(1,947)	53
Increase in short-term loans	182,530	1,065,000
Decrease in short-term loans	(462,530)	(940,000)
Increase in short-term notes	-	540,000
Decrease in short-term notes	(100,000)	(440,000)
Interest paid	(420)	(1,530)
Capital injection	-	804,384
Cash dividends	(544,974)	(387,520)
Net cash (used) provided in financing activities	(927,341)	640,387
Net (decrease) increase in cash and cash equivalents	(591,061)	934,029
Cash and cash equivalents at beginning of period	1,377,963	443,934
Cash and cash equivalents at end of period	$786,902	$1,377,963

(The accompanying notes are an integral part of the parent company only financial statements)

ZENG HSING INDUSTRIAL CO., LTD.
Notes to Financial Statements
For the Years Ended December 31, 2014 and 2013
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

1. ORGANIZATION AND OPERATIONS

Zeng Hsing Industrial Co., Ltd. (the Company) was incorporated in 1968 to manufacture and market household sewing machines, vacuum cleaners, and the spare parts used on these products. The Company applied to be listed on the GreTai Securities Market on April 2004, and was authorized for trading over the counter on December 28, 2007. On December 23, 2014, the Company was authorized to be listed on Taiwan Stock Exchange.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements of the Company for the years ended December 31, 2014 and 2013 were authorized for issue in accordance with the resolution of the board of directors' meeting held on March 16, 2015.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Standards or interpretations issued, revised or amended, which recognized by Financial Supervisory Commission ("FSC") and effective for annual periods beginning on or after January 1, 2015, but not yet adopted by the Company at the date of issuance of the Company's financial statements are listed below:

(a) Improvements to International Financial Reporting Standards (issued in 2010):
International Financial Reporting Standard 9, "Financial Instruments" (IFRS 9)

The annual improvements to International Financial Reporting Standards ("IFRS") issued in 2010 made the following amendments to IFRS 1: If a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report, it needs to explain those changes and update the reconciliations between previous GAAP and IFRS in accordance with paragraph 23 of IFRS 1.

Furthermore, the amendment allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. The amendment also expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities. The exemption will be applied on an item-by-item basis. All such assets will also need to be tested for impairment at the date of transition. The amendment allows entities with rate-regulated activities to use the carrying amount of their property, plant and equipment and intangible balances from their previous GAAP as its deemed cost upon transition to IFRS. These amendments became effective for annual periods beginning on or after 1 January 2011.

IFRS 3 "Business Combinations"

Under the amendment, IFRS 3 (as revised in 2008) do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Furthermore, the amendment limits the scope of the measurement choices for non-controlling interest. Only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation could be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value.

The amendment also requires an entity in a business combination to account for the replacement of the acquiree's share-based payment transactions (when the acquirer is not obliged to do so) as new share-based payment awards in the post-combination financial statements.

Outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions: if vested — they are part of non-controlling interest; if unvested — they are measured at market based value as if granted at acquisition date, and allocated between NCI and post-combination expense.

These amendments became effective for annual periods beginning on or after 1 July 2010.

IFRS 7 "Financial Instruments: Disclosures"

The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment became effective for annual periods beginning on or after 1 January 2011.

IAS 1 "Presentation of Financial Statements"

The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment became effective for annual periods beginning on or after 1 January 2011.

IAS 34 "Interim Financial Reporting"

The amendment clarifies that if a user of an entity's interim financial report have access to the most recent annual financial report of that entity, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. Furthermore the amendment adds disclosure requirements around disclosures of financial instruments and contingent liabilities/assets. The amendment is effective for annual periods beginning on or after 1 January 2011.

IFRIC 13 "Customer Loyalty Programmes"

The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is effective for annual periods beginning on or after 1 January 2011.

(b) *IFRS 1 "First-time Adoption of International Financial Reporting Standards" — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*

IFRS 1 has been amended to allow first-time adopters to utilize the transitional provisions of IFRS 7 *Financial Instruments: Disclosures*. These provisions give relief from providing comparative information in the disclosures required by amendments to IFRS 1 in the first year of application. The amendment is effective for annual periods beginning on or after 1 July 2010.

(c) *IFRS 1 "First-time Adoption of International Financial Reporting Standards" — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

The amendment has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The amendment also removes the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions. The amended standard has these dates coinciding with the date of transition to IFRS. The amendment is effective for annual periods beginning on or after 1 July 2011.

(d) *IFRS 7 "Financial Instruments: Disclosures" (Amendment)*

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, or financial assets are not derecognised in their entirety. The amendment is effective for annual periods beginning on or after 1 July 2011.

(e) *IAS 12 "Income Taxes" — Deferred Taxes: Recovery of Underlying Assets*

The amendment to IAS 12 introduce a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognized on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. The amendment also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. As a result of this amendment, SIC 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* has been withdrawn. The amendment is effective for annual periods beginning on or after 1 January 2012.

(f) *IFRS 10 "Consolidated Financial Statements"*

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and SIC-12. The changes introduced by IFRS 10 primarily relate to the elimination of the perceived inconsistency between IAS 27 and SIC-12 by introducing a new integrated control model. That is, IFRS 10 primarily relates to whether to consolidate another entity, but does not change how an entity is consolidated. The standard is effective for annual periods beginning on or after 1 January 2013.

(g) *IFRS 11 "Joint Arrangements"*

IFRS 11 replaces IAS 31 and SIC-13. The changes introduced by IFRS 11 primarily relate to increase comparability within IFRS by removing the choice for jointly controlled entities to use proportionate consolidation, so that the structure of the arrangement is no longer the most important factor when determining the classification as a joint operation or a joint venture, which then determines the accounting. The standard is effective for annual periods beginning on or after 1 January 2013.

(h) *IFRS 12 "Disclosures of Interests in Other Entities"*

IFRS 12 primarily integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities and presents those requirements in a single IFRS. The standard is effective for annual periods beginning on or after 1 January 2013.

(i) *IFRS 13"Fair Value Measurement"*

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosure is required. The standard is effective for annual periods beginning on or after 1 January 2013.

(j) *IAS 1 "Presentation of Financial Statements" — Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified. The amendment is effective for annual periods beginning on or after 1 July 2012.

(k) *IAS 19 "Employee Benefits" (Revised)*

The revision includes: (1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in Other Comprehensive Income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, etc.. The revised standard is effective for annual periods beginning on or after 1 January 2013.

(l) *IFRS 1 "First-time Adoption of International Financial Reporting Standards" — Government Loans*

The IASB has added an exception to the retrospective application of IFRS 9 (or IAS 39) and IAS 20. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS. However, entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. The amendment is effective for annual periods beginning on or after 1 January 2013.

(m) *IFRS 7 "Financial Instruments: Disclosures" — Disclosures — Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement'. The amendment is effective for annual periods beginning on or after 1 January 2013.

(n) *IAS 32 "Financial Instruments: Presentation" — Offsetting Financial Assets and Financial Liabilities*

The amendment clarifies the meaning of "currently has a legally enforceable right to set-off" in IAS 32. The amendment is effective for annual periods beginning on or after 1 January 2014.

(o) *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"*

This Interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognizes these costs as a non-current asset ("stripping activity asset"), only if certain criteria are met. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. The interpretation is effective for annual periods beginning on or after 1 January 2013.

(p) *Improvements to International Financial Reporting Standards (2009-2011 cycle):*

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendment clarifies that an entity that has stopped applying IFRS may choose to either: Re-apply IFRS 1, even if the entity applied IFRS 1 in a previous reporting period; or Apply IFRS retrospectively in accordance with IAS 8 (i.e., as if it had never stopped applying IFRS) in order to resume reporting under IFRS. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 1 "Presentation of Financial Statements"

The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. The opening statement of financial position (known as 'the third balance sheet') must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the third balance sheet. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 16 "Property, Plant and Equipment" (Amendment)

The amendment clarifies that major spare parts and servicing equipment that meet the definition of *property*, plant and equipment are not inventory. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 32 "Financial Instruments: Presentation" (Amendment)

The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 34 "Interim Financial Reporting" (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Besides, total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment is effective for annual periods beginning on or after 1 January 2013.

(q) *IFRS 10 "Consolidated Financial Statements" (Amendment)*

The Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendment is *effective* for annual periods beginning on or after 1 January 2014.

The abovementioned standards and interpretations issued by IASB and recognized by FSC so that they are applicable for annual periods beginning on or after 1 January 2015. *Apart* from item (h) to (k) which would affect the presentation of financial statements and increase the level of disclosure in the financial reports, the remaining standards and interpretations have no material impact on the Group.

(2) Standards or interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below.

(a) *IAS 36 "Impairment of Assets" (Amendment)*

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the *recoverable* amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendment is effective for annual periods beginning on or after 1 January 2014.

(b) *IFRIC 21 "Levies"*

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing *and* amount of the levy is certain). The interpretation is effective for annual periods beginning on or after 1 January 2014.

(c) *IAS 39 "Financial Instruments: Recognition and Measurement" (Amendment)*

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The *interpretation* is effective for annual periods beginning on or after 1 January 2014.

(d) *IAS 19 "Employee Benefits" (Defined benefit plans: employee contributions)*

The amendments apply to contributions from employees or third parties to defined benefit plans. *The* objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment is effective for annual periods beginning on or after 1 July 2014.

(e) *Improvements to International Financial Reporting Standards (2010-2012 cycle):*

IFRS 2 "Share-based Payment"

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 "Business Combinations"

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 *Financial Instruments* to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

IFRS 8 "Operating Segments"

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014.

IFRS 13 "Fair Value Measurement"

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 Financial *Instruments: Recognition and Measurement* as consequential amendments from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

IAS 16 "Property, Plant and Equipment"

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 24 "Related Party Disclosures"

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 38 "Intangible Assets"

The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

(f) *Improvements to International Financial Reporting Standards (2011-2013 cycle):*

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

IFRS 3 "Business Combinations"

This amendment clarifies that paragraph 2(a) of IFRS 3 *Business Combinations* excludes the formation of all types of joint arrangements as defined in IFRS 11 *Joint* Arrangements from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after 1 July 2014.

IFRS 13 "Fair Value Measurement"

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments:* Recognition *and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 40 *"Investment Property"*

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property*, separate application of both standards independently of each other is required. The amendment is effective for annual periods beginning on or after 1 July 2014.

(g) *IFRS 14 "Regulatory Deferral Accounts"*

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

(h) *IFRS 11 "Joint Arrangements" (Accounting for Acquisitions of Interests in Joint Operations)*

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 "Business Combinations", and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after 1 January 2016.

(i) *IAS 16"Property, Plant and Equipment and IAS 38 "Intangible Assets" — Clarification of Acceptable Methods of Depreciation and Amortization*

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after 1 January 2016.

(j) *IFRS 15 "Revenue from Contracts with Customers"*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The Standard is effective for annual periods beginning on or after 1 January 2017.

(k) *IAS 16"Property, Plant and Equipment and IAS 41 "Agriculture"* — Agriculture: Bearer Plants

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendment is effective for annual periods beginning on or after 1 January 2016.

(l) *IFRS 9"Financial Instruments"*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018.

(m) *IAS 27"Separate Financial Statements" — Equity Method in Separate Financial Statements*

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In 2003, the equity method was removed from the options. This amendment removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions.

The amendment is effective for annual periods beginning on or after 1 January 2016.

(n) *IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated *Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The amendment is effective for annual periods beginning on or after 1 January 2016.

(o) *Improvements to International Financial Reporting Standards (2012-2014 cycle):*

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendment clarifies that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendment is effective for annual periods beginning on or after 1 January 2016.

IFRS 7 "Financial Instruments: Disclosures"

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 *Financial Instruments: Disclosures* is required. The amendment also clarifies that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 *Interim Financial Reporting.* The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 19 "Employee Benefits"

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 34 "Interim Financial Reporting"

The amendment clarifies what is meant by "elsewhere in the interim financial report" under IAS 34; the amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is effective for annual periods beginning on or after 1 January 2016.

(p) *IAS 1 "Presentation of Financial Statements" (Amendment):*

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2016.

(q) *IFRS 10"Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", and IAS 28"Investments in Associates and Joint Ventures" — Investment Entities: Applying the Consolidation Exception*

The amendments contain (1) clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, (2) clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity are measured at fair value, and (3) allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendment is effective for annual periods beginning on or after 1 January 2016.

The abovementioned standards and interpretations issued by IASB have not yet recognized by FSC at the date of issuance of the Group's financial statements, the local effective dates are to be determined by FSC. The standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The Company's financial statements as of for the years ended December, 31, 2014 and 2013 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The financial statements are expressed in thousands of New Taiwan Dollars ("$") unless otherwise stated.

(3) Foreign Currency Transactions

The Company's financial statements are presented in New Taiwan Dollars (NTD), which is also the parent company's functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

a. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

b. Foreign currency items within the scope of IAS 39 are accounted for based on the accounting policy for financial instruments.

c. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In the partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and Non-current Distinction

An asset is classified as current when:

a. The Company expects to realized the asset, or intends to sell or consume it, in its normal operating cycle; or

b. The Company holds the asset primarily for the purpose of trading; or

c. The Company expects to realize the asset within twelve months after the reporting period; or

d. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as a current when:

a. The Company expects to settle the liability in normal operating cycle; or

b. The Company holds the liability primarily for the purpose of trading; or

c. The liability is due to be settled within twelve months after the reporting period; or

d. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Term of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash Equivalents

Cash and cash equivalents shall refer to cash, time deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, including time deposits with original maturities of three months or less.

(7) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial Assets

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

Financial assets of the Company are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

a. Financial assets at fair value through profit or loss

   Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

   The financial assets are classified as held for trading when:

   i. The primary purpose of acquiring is to be sold in a short time; or

   ii. They are part of recognizable portfolio of financial instruments when recognized initially and there were evidences to show the portfolio is profited in a short time; or

   iii. They are derivative instruments (except for contract of financial guarantee or hedging instruments).

   The Company assigned the contracts that included one or more embedded derivative instruments as financial assets at fair value through profit or loss; or the financial assets are assigned as financial assets designated upon initial recognition at fair value through profit or loss when:

   i. The assignment can eliminate or strongly decrease the inconsistency in recognition and measurement; or

ii. The Company estimates the effects of the financial assets, liabilities or both, and provide the relevant information to key managements based on the fair value.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

b. Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

c. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

d. Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that an individual or a Company of financial asset other than the financial assets at fair value through profit or loss is impaired. An individual or a Company of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

i. Significant financial difficulty of the issuer or obligor; or

ii. A breach of contract, such as a default or delinquency in interest or principal payments; or

iii. It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

For loans and receivables measured at amortized cost: if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

If, in a subsequent year, the account receivable amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

e. Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired.

ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.

iii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities and equity

a. Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument

b. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

c. Financial liabilities

Financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

d. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The financial liabilities are classified as held for trading when:

i. The primary purpose of acquiring is to be sold in a short time; or

ii. They are part of recognizable portfolio of financial instruments when recognized initially and there were evidences to show the portfolio is profited in a short time; or

iii. They are derivative instruments (except for contract of financial guarantee or hedging instruments).

The Company assigned the contracts that included one or more embedded derivative instruments as financial liabilities at fair value through profit or loss; or the financial liabilities are assigned as financial liabilities designated upon initial recognition at fair value through profit or loss when:

i. The assignment can eliminate or strongly decrease the inconsistency in recognition and measurement; or

ii. The Company estimates the effects of the financial assets, liabilities or both, and provides the relevant information to key managements based on the fair value.

Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

e. Financial liabilities carried at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

f. Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

(8) Derivative financial instruments

The Company uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(9) Inventories

Inventories are stated at the lower of cost and realizable value. Cost is presented by all the essential expenditures incurred to the ready status as being sold or finished products. Materials, work in process and finished goods are calculated on the following bases:

Materials	—	Weighted average of actual procurements
Work in process and finished goods	—	Direct materials, labor cost and overhead are all accounted for. Finished goods and work in process are accounted under the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(10) Investments accounted for under the equity method

The Company's investment in its associate is accounted for using the equity method. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When the change of the investment’s equity was not due to the profit or loss or any items of other comprehensive income, and the change did not affect the ownership percentage of the Company, the Company recognized the corresponding change based on the ownership percentage. Therefore the capital surplus should be recognized in profit or loss base on the percentage of disposal

When the Company subscribes for additional associate or jointly controlled entity’s new shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company’s proportionate interest in the associate or jointly controlled entity. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company’s ownership interest is reduced due to the additional subscription of associate or joint controlled entity’s new shares, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or jointly controlled entity shall be reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases. If the recoverable amount adopts the useful value of the investment, the Company evaluates the useful values based on the estimates as follows:

a. The Company possessed the estimated future cash flows discounted value from the investment, included cash flows from operating activities and the final proceeds of the sale of the investment; or

b. The Company obtained dividends from the investment and the estimated future cash flows discounted value from sale of the investment.

Because the Company didn’t recognize separately the goodwill of the investment, the Company is not required to apply IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(11) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings and facilities	20～40 years
Machinery and equipment	5～17 years
Tooling equipment	2～ 4 years
Transportation equipment	5～10 years
Furniture, fixtures and equipment	3～11 years
Miscellaneous equipment	3～15 years
Leasehold improvements	Lower of leasehold years or useful lives

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(12) Leases

The Company as a lessee

Lease assets recognize depreciation expenses base on its useful lives, if the Company can't confirm the ownerships of the lease assets at the closing date, the Company recognize depreciation expenses base on the lower of useful lives or tenancies.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(13) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets which fail to meet the recognition criteria are not capitalized and the expenditures are reflected in profit or loss in the period incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in other operating income and expenses. Accounting policies of the Company's intangible assets is summarized as follows:

	Software	Trademarks	Patents	Goodwill	Others
Useful lives	1~5 years	1~5 years	1~5 years	indefinite	4 years
Method of amortization	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	There is no amortization	Amortized on a straight- line basis over the estimated useful life
Sources	Outside	Outside	Outside	Outside	Outside

(14) Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset in the scope of IAS 36 may be impaired. If any indication exists, the Company completes impairment testing for the cash-generating unit (CGU) where the individual assets belong to. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset. If circumstances indicate that previously recognized impairment losses may no longer exist or may have decreased at each reporting date, the Company re-assesses the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

The cash generating unit, or groups of CGU, to which goodwill has been allocated is tested for impairment annually at the same time every year, irrespective of whether there is any indication of impairment. Where the carrying amount of an asset or CGU (including the carrying amount of goodwill) exceeds its recoverable amount, the asset is considered impaired. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment loss of or reversal gain of impairment is recognized in other operating income and expenses.

(15) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. When the effect of the time value of money is material, provisions is discounted by present tax-rate of reflectable specific risks. When provisions discount, the increasing amount of liabilities due to time elapsed is recognized as a borrowing cost.

(16) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

a. Sale of goods

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

i. the significant risks and rewards of ownership of the goods have passed to the buyer;

ii. neither continuing managerial involvement nor effective control over the goods sold have been retained;

iii. the amount of revenue can be measured reliably;

iv. it is probable that the economic benefits associated with the transaction will flow to the entity; and

v. the costs incurred in respect of the transaction can be measured reliably.

b. Interest income

For all financial assets measured at amortized cost including loans and receivables, interest income is recorded using the effective interest rate method and recognized in profit or loss.

c. Dividends

Revenue is recognized when the Company's right to receive the payment is established.

(17) Borrowing cost

It is capitalized as part of the assets when the borrowing cost is directly attributable to the acquisition, construction or production of assets. The other borrowing cost should be recognized as current expense. The borrowing cost includes the interest and other cost that relate to borrowing of funds.

(18) Post-employment benefits

The Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Company's financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The Company recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings. 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 and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(19) Income Tax

Income tax expense (profit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by stockholders’ meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

b. In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is estimated using the tax rate that would be applicable to expected total annual earnings, that is, calculated by the pre-tax income of the interim period multiplied by the estimated average annual effective income tax rate.

(20) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Company acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or Company of units to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

(21) Seasonal change

The Company's operation was seasonal, because the demand in the second half year was higher than the first half year, which caused the Company's revenues in the second half to be higher than the first half.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date, that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1) The Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Post-Employment Benefits

The cost of post-employment benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. The assumptions used for measuring pension cost and the present value of the pension obligation are disclosed in Note 6(13).

(3) Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the entities of the Company.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	As of	
	December 31, 2014	December 31, 2013
Cash on hand	$70	$70
Checking and savings accounts	786,832	1,377,893
Total	$786,902	$1,377,963

(2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of	
	December 31, 2014	December 31, 2013
Held for trading:		
Derivative financial assets		
Funds	$60,001	$-

Financial assets at fair value through profit or loss were not pledged.

(3) ACCOUNTS RECEIVABLE, NET

	As of	
	December 31, 2014	December 31, 2013
Accounts receivable - non related parties	$1,363,062	$1,139,285
Less：Allowance for doubtful accounts	(3,727)	(3,218)
Subtotal	1,359,335	1,136,067
Accounts receivable - related parties	131,301	113,846
Accounts receivable, net	$1,490,636	$1,249,913

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Accounts receivables are generally on 45-90 day terms. The movements in the provision for impairment of accounts receivables are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2014	$-	$3,218	$3,218
Charge for the current period	-	509	509
As of December 31, 2014	$-	$3,727	$3,727
As of January 1, 2013	$-	$28,481	$28,481
Charge for the current period	-	(25,263)	(25,263)
As of December 31, 2013	$-	$3,218	$3,218

Ageing analysis of trade receivables and trade receivables-related parties that are past due as of the end of the reporting period but not impaired is as follows:

		Past due but not impaired				
	Neither past due nor impaired	1~30 days	31-90 days	91-360 days	Upon 361 day	Total
December 31, 2014	$1,404,271	$84,272	$2,093	$-	$-	$1,490,636
December 31, 2013	1,032,642	198,345	18,926	-	-	1,249,913

No accounts receivables were pledged.

(4) INVENTORIES, NET

a. Details as follows

	As of	
	December 31, 2014	December 31, 2013
Raw materials	$25,483	$24,037
Work in progress	1,977	1,801
Semi-manufactured goods	10,028	12,448
Finished goods	24,936	22,052
Total	64,424	60,338
Less: allowance for inventory valuation losses	(10,491)	(2,849)
Net	$51,933	$57,489

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

b. For the years ended December 31, 2014 and 2013, the Company recognized $4,660,137 and $4,231,995 for costs of inventories in expenses. The profit and loss that related to cost of goods sold are as follows:

	2014	2013
Reclassified from cost of goods sold to expense	$6,900	$5,127
Inventories scrapped	5,437	2,373
Loss (gain) on physical inventory	31	(7)
Loss (gain) from price reduction (recovery) of inventories	7,642	(542)
Revenue from sale of scraps	(158)	(101)
Total	$19,852	$6,850

c. For the years ended December 31, 2013 because of the circumstances that caused the net realizable value of inventory to be lower than its cost no longer existed.

d. No inventories were pledged.

(5) FINANCIAL ASSETS MEASURED AT COST

	As of	
	December 31, 2014	December 31, 2013
Non-publicly traded stocks		
Strong-way Co., Ltd.	$-	$630

Because the fair value of the non-publicly traded stocks that the Company held was not estimated reasonably and the probability of the estimated value cannot be evaluated reasonably, the Company did not measure the financial assets at fair value but rather by cost.

Financial assets measured at cost were not pledged.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

(6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

The following table lists the investments accounted for using the equity method of the Company:

	December 31, 2014		December 31, 2013	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Subsidiaries:				
Zeng Hsing Industrial Co., Ltd(VN)	$1,210,556	100.00%	$1,017,363	100.00%
ZENG HSING INDUSTRIAL CO., LTD. (BVI)	905,592	100.00%	767,850	100.00%
Shinco Technoligies Limited(VN)	376,946	100.00%	313,014	100.00%
SHINCO WORLDWIDE LIMITED (BVI)	87,715	100.00%	84,182	100.00%
Mitsumichi Industrail Co., Ltd	38,857	53.00%	42,433	53.00%
Asia Bright Hometec Co., Ltd (Note)	2,542	43.08%	2,773	43.08%
Subtotal	2,622,208		2,227,615	
Associates				
Taiwan Carbon Technology Co., Ltd	4,559	19.53%	4,559	19.53%
Loss of impairment	(4,559)		(4,559)	
Subtotal	-		-	
Total	$2,622,208		$2,275,615	

Note: Asia Bright Hometec Co., Ltd. Suffered long-term loss. The Company intended to propose to dispose of all shares held to the board meeting on March 16, 2014.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

a. Subsidiaries

The Company's investment in its associate is accounted for using the equity method.

For the years ended December 31, 2014 and 2013, The Company recognized share of profit or loss of associates and joint ventures and exchange differences on translation of foreign operations with report of independent accountants, the details as follows:

	December 31, 2014		December 31, 2013	
Investee companies	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations
ZENG HSING INDUSTRIAL CO., LTD. (BVI)	$109,426	$29,401	$106,204	$38,322
Zeng Hsing Industrial Co., Ltd(VN)	23,198	(957)	33,896	(25,082)
Shinco Technoligies Limited(VN)	18,516	551	20,199	(12,570)
SHINCO WORLDWIDE LIMITED (BVI)	3,533	-	1,563	-
Mitsumichi Industrail Co., Ltd	7,448	-	10,905	-
Asia Bright Hometec Co., Ltd	(231)	-	(1,134)	-
Total	$161,890	$28,995	$171,633	$670

For the years ended December 31, 2014 and 2013, the details of the Company invested to subsidiaries by cash as follows:

Subsidiaries	December 31, 2014	December 31, 2013
Zeng Hsing Industrial Co., Ltd (VN)	$171,257	$455,574
Shinco Technoligies Limited (VN)	44,865	60,050
Total	$216,122	$515,624

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

The following table illustrates summarized financial information of the Company's investment in the associates:

	As of	
	December 31, 2014	December 31, 2013
Total assets (100%)	$48,127	$21,815
Total liabilities (100%)	8,412	2,519

	December 31, 2014	December 31, 2013
Total revenue (100%)	$57,022	$19,687
Total expense (100%)	20,419	(6,874)

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

(7) PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Miscellaneous equipment	Total
Cost:								
As of January 1, 2014	$21,075	$113,867	$24,957	$25,817	$3,084	$12,199	$50,347	$251,346
Additions	-	-	1,104	514	-	340	4,856	6,814
Disposals	-	(217)	(185)	(6,054)	(1,107)	(3,898)	(5,939)	(17,400)
Transfers	-	-	381	328	-	-	555	1,264
As of December 31, 2014	$21,075	$113,650	$26,257	$20,605	$1,977	$8,641	$49,819	$242,024
As of January 1, 2013	$21,075	$113,017	$27,595	$22,691	$2,824	$12,309	$41,679	$241,190
Additions	-	730	567	3,090	260	-	3,355	8,002
Disposals	-	-	(3,699)	(441)	-	(110)	(801)	(5,051)
Transfers	-	120	494	447	-	-	6,114	7,205
As of December 31, 2013	$21,075	$113,867	$24,957	$25,817	$3,084	$12,199	$50,347	$251,346

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Miscellaneous equipment	Total
Depreciation and impairment:								
As of January 1, 2014	$-	$45,398	$10,048	$16,838	$1,331	$8,833	$34,148	$116,596
Depreciation	-	3,652	2,592	4,478	353	731	4,344	16,150
Disposals	-	(217)	(33)	(5,980)	(388)	(3,896)	(5,924)	(16,438)
As of December 31, 2014	$-	$48,833	$12,607	$15,336	$1,296	$5,668	$32,568	$116,308
As of January 1, 2013	$-	$41,778	$10,432	$12,548	$988	$8,168	$31,147	$105,061
Depreciation	-	3,620	2,918	4,731	343	775	3,603	15,990
Disposals	-	-	(3,302)	(441)	-	(110)	(602)	(4,455)
As of December 31, 2013	$-	$45,398	$10,048	$16,838	$1,331	$8,833	$34,148	$116,596
Net carrying amount as of:								
As of December 31, 2014	$21,075	$64,817	$13,648	$5,269	$683	$2,974	$17,250	$125,716
As of December 31, 2013	$21,075	$68,469	$14,909	$8,979	$1,753	$3,366	$16,199	$134,750

a. Please refer to Note 8 for property, plant and equipment pledged as collateral.
b. There is no occurrence of capitalization of interest due to purchasing property, plant and equipment for the years ended December 31, 2014 and 2013.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

(8) INTANGIBLE ASSETS

	Software	Patents	Trademarks	Total
Cost:				
As of January 1, 2014	$34,996	$3,427	$1,639	$40,062
Addition-acquired separately	22,738	75	-	22,813
As of December 31, 2014	$57,734	$3,502	$1,639	$62,875
As of January 1, 2013	$32,520	$2,035	$1,639	$36,194
Addition-acquired separately	2,476	1,392	-	3,868
As of December 31, 2013	$34,996	$3,427	$1,639	$40,062

	Software	Patents	Trademarks	Total
Amortization and impairment:				
As of January 1, 2014	$28,201	$1,015	$1,386	$30,602
Amortization	8,192	180	126	8,498
As of December 31, 2014	$36,393	$1,195	$1,512	$39,100
As of January 1, 2013	$21,288	$808	$1,234	$23,330
Amortization	6,913	207	152	7,272
As of December 31, 2013	$28,201	$1,015	$1,386	$30,602
Net carrying amount as of:				
As of December 31, 2014	$21,341	$2,307	$127	$23,775
As of December 31, 2013	$6,795	$2,412	$253	$9,460

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Intangible asset amortization expenses are summarized as follows:

	For the years ended December 31,	
	2014	2013
Operating cost	$-	$-
Selling and marketing	126	177
Management and administrative	1,694	1,418
Research and development	6,678	5,677
Total	$8,498	$7,272

(9) OTHER NON-CURRENT ASSETS

	As of	
	December 31, 2014	December 31, 2013
Prepayment for equipment	$3,150	$14,423
Others	212	411
Total	$3,362	$14,834

(10) SHORT-TERM BORROWINGS

	As of	
	December 31, 2014	December 31, 2013
Unsecured bank loans	$-	$280,000

	Annual ended December 31, 2014	Annual ended December 31, 2013
Interest rates due date	-	1.05%~1.08%

The Company’s unused short-term lines of credits amounted to$782,026 and $384,900 as of December 31,2014 and 2013, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(11) SHORE-TERM NOTES AND BILLS PAYABLE

Accounting title	Guarantee	As of December 31, 2014	As of December 31, 2013
Commercial paper payable	Mega Bills Finance Corporation	$-	$100,000

	Annual ended December 31, 2014	Annual ended December 31, 2013
Interest rates due date	-	1.06%~1.08%

(12) POST-EMPLOYMENT BENEFITS

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Act provides that the rate of contributions of the Company and its domestic subsidiaries should be no lower than 6% of each individual employee’s monthly salaries. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee’s salaries or wages to employees’ pension accounts.

Subsidiaries located in the People’s Republic of China will contribute to the social welfare benefits based on a certain percentage of employees’ salaries or wages to the employees’ individual pension accounts.

Pension benefits for employees of foreign subsidiaries are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan were $7,239 and $6,339 for the years ended December 31, 2014 and 2013, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

The summary of defined benefits plan reflected in profit or loss is as follows:

	For the years ended December 31,	
	2014	2013
Current service cost	$2,422	$2,860
Interest cost	3,246	2,480
Expected return on plan assets	(1,491)	(1,204)
Past service cost	-	-
Total	$4,177	$4,136

Pension expenses under the defined benefits plan were as follows:

	For the years ended December 31,	
	2014	2013
Operating cost	$1,270	$866
Promotion	557	741
Management and administrative	1,095	1,152
Research and development	1,255	1,377
Total	$4,177	$4,136

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company recognized pension cost for high-ranking officers amounting to $2,700 and $3,800 for the years ended December 31, 2014 and 2013, respectively.

The cumulative amount of actuarial gains and losses recognized in other comprehensive income is as follows:

	For the years ended December 31,	
	2014	2013
As of December 31, 2013	$10,218	$14,906
Actuarial losses for the period	(23,003)	(4,688)
As of December 31, 2014	$(12,785)	$10,218

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	December 31, 2014	December 31, 2013
Defined benefit obligation	$145,245	$162,324
Plan assets at fair value	(84,448)	(74,561)
Funded status	60,797	87,763
Unrecognized past service cost	-	-
Accrued pension liabilities recognized on the consolidated balance sheets	$60,797	$87,763

Changes in present value of the defined benefit obligation are as follows:

	For the years ended December 31,	
	2014	2013
Defined benefit obligation as of January 1	$162,324	$165,290
Current service cost	2,422	2,860
Interest cost	3,247	2,480
Actuarial losses	(22,748)	(5,018)
Benefit of payment	-	(3,288)
Defined benefit obligation as of December 31	$145,245	$162,324

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Changes in fair value of plan assets are as follows:

	2014	2013
Fair value of plan assets as of January 1	$74,561	$68,807
Expected return on plan assets	1,491	1,204
Contributions by employer	8,141	8,168
Benefit of payment	-	(3,288)
Actuarial losses	255	(330)
Fair value of plan assets as of December 31	$84,448	$74,561

The Company expects to contribute $8,141 to its defined benefit plan for the year ended December 31, 2014.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as of	
	December 31, 2014	December 31, 2013
Cash	18.82%	22.86%
Debt instruments	14.03%	13.47%
Equity instruments	11.82%	8.41%
Others	55.33%	55.26%

The Company's actual return on plan assets was $1,746 and $874 for the year ended December 31, 2014 and 2013.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	December 31, 2014	December 31, 2013
Discount rate	2.25%	2.00%
Expected rate of salary increases	3.00%	3.00%
Expected rate of return on plan assets	2.25%	2.00%

A 0.5% change in discount rate on defined benefit obligation:

	For the years ended December 31,			
	2014		2013	
	0.5% increase in discount rate	0.5% decreased in discount rate	0.5% increase in discount rate	0.5% decreased in discount rate
Effect on the defined benefit obligation	$(5,190)	$5,816	$7,296	$(6,481)

Other information on the defined benefit plan is as follows:

	2014	2013	2012
Defined benefit obligation at present value	$145,245	$162,324	$165,290
Plan assets at fair value	(84,448)	(74,561)	(68,807)
Deficit in plan	60,797	87,763	92,483
Experience adjustments on plan liabilities	(21,760)	2,233	14,323
Experience adjustments on plan assets	(255)	330	583

(13) EQUITIES

a. Share capital

As of January 1, 2013, the Company's authorized capital was $650,000, divided into 65,000,000 shares with par value of $10 (in dollar) each. The issued and outstanding capital stocks were $516,692, divided into 51,669,173 shares with par value of $10 (in dollar) each.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the resolution of the board of the shareholders' meeting held on June 11, 2013, the Company increased its authorized capital to $850,000 and approved of the appropriation of earnings of 2012. The Company issued new share totaling $25,834 through capitalization of dividends, divided into 2,583,458 shares with par value of $10 (in dollar) each. In July 29, 2013, the board of the directors approved an investment and the registration of this investment was completed on August 7, 2013.

According to the resolution of the board of the directors' meeting held on November 2, 2013, the Company was to solicit and issue 6,300,000 shares of new common stocks for cash at $128 (in dollar) per share. Registrations for the changes in capital were completed as of November 22, 2013. After the registration for the changes, the Company's authorized capital was $850,000. The issued and outstanding capital stocks were $605,526 with a par value at $10 divided into 60,552,631 shares.

b. Capital surplus

According to the Company Act, the capital reserve shall not be used except when offsetting the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them. The detail of the capital surplus is as follows:

	As of	
	December 31, 2014	December 31, 2013
Additional paid-in capital	$1,308,533	$1,308,533
Donated assets	314	314
Employee stock options	78,498	78,498
Total	$1,387,345	$1,387,345

c. Retained earnings and dividend policy

As provided by the Company's Articles of Incorporation, annual net income, after offsetting prior years' accumulated deficits, if any, may be distributed in the following order:

i. distribute at 3% to 6% as employee bonuses;

ii. distribute at 0.5% to 4% as the directors and supervisors' remunerations;

iii. distribute the remaining amount as dividends.

The Company operates in a traditional industry and is currently at its mature stage of business life cycle, with a relatively well established financial structure and fairly consistent earnings year-over-year. In addition to adhering to the Company Act and the Company’s bylaws, the actual distribution of earnings would depend on the Company’s projected capital expenditure and operational results which will be reviewed by the board of directors before voting in the annual stockholder’ meetings. Cash dividend would be no less than 30% of the total dividend to be distributed.

When the Company distributed the earnings from 2013, in accordance with the applicable laws, it should appropriate the other net deductions from shareholders’ equity which occurred in current period to special reserve. When the other net deductions from shareholders’ equity were reversed, the amount reversed may be distributed.

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a Company’s adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, the special reserve equivalent to the net debit balance of the other components of shareholders’ equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company's special reserve resulted from first-time adoption of IFRSs was $0 as of December 31, 2014 and 2013,respectively. The Company was not required to reverse the special reserve due to the subsequent use, disposal or reclassification of the related assets for the years ended December 31, 2014.

Details of the 2014 and 2013 earnings distribution and dividends per share as approved by the resolution of the shareholders' meeting held in March 16, 2015 and June 20, 2014, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2014	2013	2014	2013
Legal reserve	$82,935	$70,813		
Special reserve	(3,475)	(69,892)		
Cash dividends-common stock	544,974	544,974	$9.0	$9.0
Directors' and supervisors' remuneration	3,050	2,850		
Employees' bonuses-cash	25,150	22,000		
Total	$652,634	$570,745		

The Company estimated the amounts of the employee bonuses and remuneration to directors and supervisors for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Employee bonuses	$25,150	$22,000
Remuneration to directors and supervisors	3,050	2,340
Total	$28,200	$24,340

The profit sharing to employees and remuneration to directors for the years ended December 31, 2014 and 2013, are based on the first half year earnings. The profit sharing to employees and directors is charged against the earnings of 2014 and 2013 respectively as the periodic cost. The number of shares distributed as stock dividends is calculated based on the closing price one day earlier than the date of shareholders' meeting, and considered the impacts of ex-right/ex-dividend. The difference between the estimation and the resolution of shareholders' meeting will be recognized in profit or loss.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at December 31, 2013, the Company recognized the bonus to employees of $22,000 and the remuneration to directors and supervisors of $3,750 with a charge to earnings. The difference of $1,410 between the estimate and the actual appropriate amount of $24,340 has been recognized in profit or loss in 2014.

Information about appropriation of retained earnings and bonuses paid to employees, remuneration to directors and supervisors for 2014 can be obtained from the "Market Observation Post System" on the website of Taiwan Stock Exchange Corporation.

(14) SALES

	For the years ended December 31,	
	2014	2013
Sale of goods	$5,836,007	$5,237,613
Less: Sales returns and discounts	(40,571)	(14,714)
Net sales	$5,795,436	$5,222,899

(15) SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013:

Function / Nature	For the years ended December 31,					
	2014			2013		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$43,774	$217,245	$261,019	$44,126	$234,367	$278,493
Labor and health insurance	4,232	15,033	19,265	3,967	12,961	16,928
Pension	3,099	11,017	14,116	2,157	12,118	14,275
Others	1,752	6,578	8,330	2,030	4,711	6,741
Depreciation	9,245	6,905	16,150	9,821	6,169	15,990
Amortization	-	8,697	8,697	-	7,621	7,621

Note: The number of employees were 323 and 305 as of December 31,2014 and 2013, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(16) NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the years ended December 31,	
	2014	2013
Interest income	$3,687	$1,118
Rental revenue	12	12
Others	26,832	54,883
Total	$30,531	$56,013

b. Other gains and losses

	For the years ended December 31,	
	2014	2013
Foreign exchange gains , net	$91,724	$38,170
(Losses) gains on financial assets at fair value through profit or loss	(7,291)	440
Gains (losses) on disposal of property, plant and equipment	265	(5)
Others	2,331	-
Total	$87,029	$38,605

c. Finance costs

	For the years ended December 31,	
	2014	2013
Interest expenses on bank loans	$420	$(1,530)

d. Share of profit of associates accounted for using the equity method

	For the years ended December 31,	
	2014	2013
Share of profit or loss of associates and joint ventures	$161,890	$171,633

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(17) COMPONENTS OF OTHER COMPREHENSIVE INCOME

a. For the years ended December 31, 2014

	Arising during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$28,995	$28,995	$(4,929)	$24,066
Actuarial gain (loss) on defined benefit plans	23,003	23,003	(3,910)	19,093
Total of other comprehensive income	$51,998	$51,998	$(8,839)	$43,159

b. For the years ended December 31, 2013

	Arising during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$670	$670	$(114)	$556
Actuarial gain (loss) on defined benefit plans	4,688	4,688	(797)	3,891
Total of other comprehensive income	$5,358	$5,358	$(911)	$4,447

(18) INCOME TAX

The major components of income tax expense are as follows:

a. Income tax recorded in profit or loss

	For the years ended December 31,	
	2014	2013
Current income tax expense:		
Current income tax charge	$157,755	$124,785
Adjustments in respect of current income tax of prior periods	(3,000)	10,000
Deferred income tax expense (benefit):		
Deferred income tax expense related to origination and reversal of temporary differences	31,741	34,341
Income tax expense recognized in profit or loss	$186,496	$169,126

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2014	2013
Deferred income tax expense (benefit):		
Exchange differences on translation of foreign operations	$4,929	$114
Actuarial loss on defined benefit plans	3,910	797
Income tax relating to components of other comprehensive income	$8,839	$911

c. A reconciliation between tax expense and the product of accounting profit multiplied by the Company's applicable tax rate is as follows:

	For the years ended December 31	
	2014	2013
Accounting profit before tax from continuing operations	$1,015,842	$877,258
The amount of tax at each statutory income tax rate	$172,693	$149,133
Tax effect of non-deductible expenses	190	(1,487)
10% surtax on unappropriated earnings	16,613	11,480
Adjustments in respect of current income tax of prior periods	(3,000)	10,000
Total income tax expenses recorded in profit or loss	$186,496	$169,126

d. Significant components of deferred income tax assets and liabilities are as follows:

i. For the years ended December 31, 2014

Items	Balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of December 31
Temporary difference				
Unrealized foreign currency exchange gain or loss	$(2,556)	$(6,000)	$-	$(8,556)
Provision for allowance to reduce inventories to market value	485	1,299	-	1,784
Provision for allowance for doubtful accounts	775	-	-	775
Pension	14,685	(805)	(3,910)	9,970
Reserve for land appreciation tax	(87)	-	-	(87)
Investment income under equity method	(103,461)	(26,235)	-	(129,696)
Cumulative translation adjustments	11,209	-	(4,929)	6,280
Deferred income tax expense (benefit)		$(31,741)	$(8,839)	
Deferred income tax assets (liabilities)	$(78,950)			$(119,530)
The information represent in balance statement				
Deferred income tax assets	$27,154			$27,517

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items	Balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of December 3
Deferred income tax liabilities	$(106,104)			$(147,047)

ii. For the years ended December 31, 2013

Items	Balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of December 3
Temporary difference				
Unrealized foreign currency exchange gain or loss	$803	$3,359	$-	$(2,556)
Provision for allowance to reduce inventories to market value	577	92	-	485
Provision for allowance for doubtful accounts	2,770	2,770	-	-
Impairment of assets	775	-	-	775
Pension	16,168	686	797	14,685
Reserve for land appreciation tax	(87)	-	-	(87)
Investment income under equity method	(76,027)	27,434	-	(103,461)
Cumulative translation adjustments	11,323	-	114	11,209
Deferred income tax expense (benefit)		$34,341	$911	
Deferred income tax assets (liabilities)	$(43,698)			$(78,950)
The information represent in balance statement				
Deferred income tax assets	$32,416			$27,154
Deferred income tax liabilities	$(76,114)			$(106,104)

iii. As of December 31, 2014, December 31, 2013 and January 1, 2013, deferred tax assets that have not been recognized as they may not be used to offset taxable profits as follows:

None.

iv. As of December 31, 2014, December 31, 2013 and January 1, 2013, the taxable temporary differences of unrecognized deferred tax liabilities associated with investment in subsidiaries as follows:

None.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

e. Integrated income tax information

	As of	
	December 31, 2014	December 31, 2013
Balance of the imputation credit account	$202,059	$186,527

The actual creditable ratio for 2014 and 2013 were 19.53% and 20.71%, respectively.

f. The assessment of income tax returns

The tax authorities have assessed income tax returns of the Company through 2012.

(19) EARNINGS PER SHARE

a. Earnings per share-basic

	For the years ended December 31,	
	2014	2013
Net profit attributable to the parent Company	$829,346	$708,132
Weighted-average number of ordinary shares for basic earnings per share(thousand shares)	60,553	54,270
Earnings per share-basic (NTD)	$13.70	$13.05

b. Earnings per share-diluted

	For the years ended December 31,	
	2014	2013
Net profit attributable to the parent Company	$829,346	$708,132
Weighted-average number of ordinary shares for basic earnings per share(thousand shares)	60,553	54,270
Effect of dilution:		
Employee bonus- stock(thousand shares)	220	187
Weighted average number of common stocks after dilution (thousand shares)	60,773	54,457
Diluted earnings per share (NTD)	$13.65	$13.00

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

7. RELATED PARTY TRANSACTIONS

(1) The Company's significant transactions with related parties

a. Sales

	For the years ended December 31,	
	2014	2013
Subsidiaries	$50,314	$41,957

For the years ended December 31, 2014 and 2013, the trade credit terms for related parties were the same as general customers. For domestic customers, the credit terms were 30 to 60 days. For foreign customers, they were 60 to 120 days. The outstanding amounts at the end of the year were unsecured, interest-free and must be settled in cash. Accounts receivable from related parties did not have any guarantees.

b. Purchase

	For the years ended December 31,	
	2014	2013
Subsidiaries	$4,422,769	$4,026,853

For the years ended December 31, 2014 and 2013, the payment terms for related parties were same as general supplies, from one to theree months.

c. Accounts receivable

	As of	
	December 31, 2014	December 31, 2013
Subsidiaries	$131,301	$113,846

d. Notes payable

	As of	
	December 31, 2014	December 31, 2013
Subsidiaries	$99	$4,202

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

e. Accounts payable

	As of	
	December 31, 2014	December 31, 2013
Subsidiaries	$564,418	$442,153

f. Other receivables

	As of	
	December 31, 2014	December 31, 2013
Subsidiaries	$8,285	$-

g. Key management personnel compensation

	For the years ended December 31,	
	2014	2013
Short-term employee benefits	$17,301	$15,604
Post-Employment Benefits	1,467	3,992
Total	$18,768	$19,596

8. ASSETS PLEDGED AS COLLATERAL

The following assets were pledged:

	As of	
	December 31, 2014	December 31, 2013
Property, Plant and Equipment, net	$23,864	$24,499
Land	20,660	20,660
Bond investments in inactive market	200	200
Total	$44,724	$45,359

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2014 and 2013, the Company provided guarantee notes in the amount of $100,000, as guarantees for loans, forward exchange agreements and a subsidy research project of Industrial Development Bureau Ministry of Economic Affairs.

(2) The Company entered into the financial guarantees to related parties as of December 31, 2014 and 2013 as follows:

	As of	
	December 31, 2014	December 31, 2013
Zeng Hsing (VN)	USD 3,000,000	USD 3,000,000
SHINCO (BVI)	USD 1,000,000	-
	USD 4,000,000	USD 3,000,000

(3) The Company's issued but unused letter of credit was JPY 131,000,000 as of December 31, 2014.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

	As of	
	December 31, 2014	December 31, 2013
Financial Assets		
Loans and receivables:		
Cash and cash equivalents (excludes cash on hand)	$786,832	$1,377,893
Notes and accounts receivable	1,490,636	1,249,913
Other receivables	20,768	1,624
Bond investments in inactive market	200	200
Subtotal	2,298,436	2,629,630
Financial assets at fair value through profit or loss:		
Held for trading	60,001	-
Available-for-sale financial assets		
Financial assets measured at cost	-	630
Total	$2,358,437	$2,630,260

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of	
	December 31, 2014	December 31, 2013
Financial Liabilities		
Financial liabilities carried at amortized cost:		
Short-term loans	$-	$280,000
Short-term notes and bills payable	-	100,000
Notes and accounts payables	707,377	585,361
Other payables	142,826	130,408
Subtotal	850,203	1,095,769
Financial liabilities at fair value through profit or loss	1,470	304
Held for trading		
Total	$851,673	$1,096,073

(2) Financial risk management objectives and policies

The Company's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward exchange contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD, RMB and VND. The information of the sensitivity analysis is as follows:

a. When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2014 and 2013 is decreased /increased by $13,094 and $10,729, respectively.

b. When NTD strengthens/weakens against VND by 1%, the profit for the years ended December 31, 2014 and 2013 is decreased/increased by $13,185 and $11,049, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to Company's bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on the borrowings with variable interest rates as of the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2013 to decrease /increase $280, but had no impact on the profit for the year ended December 31, 2014.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2014 and 2013, amounts receivables from top ten customers represented 87.83% and 88.09% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Liquidity risk management

The Company’s objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company’s financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of December 31, 2014					
Borrowings	$-	$-	$-	$-	$-
Short-term notes and bills payable	-	-	-	-	-
Payables	707,377	-	-	-	707,377
As of December 31, 2013					
Borrowings	$280,103	$-	$-	$-	$280,103
Short-term notes and bills payable	100,000	-	-	-	100,000
Payables	585,361	-	-	-	585,361

Derivative financial instruments	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of December 31, 2014					
Outflow	$1,470	$-	$-	$-	$1,470
As of December 31, 2013					
Outflow	$304	$-	$-	$-	$304

The table above contains the undiscounted net cash flows of derivative financial instruments which will be matured in less than a year.

(6) Fair value of financial instruments

a. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

i. The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, short-term borrowings, trade payables (including related parties), other payables approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

iii. The fair value of the equity instruments of transactions with no active market (including the publicly traded stocks with no active market and the non-publicly traded stocks) was estimated by the market approach. The fair value was measured based on parameters such as recent financing activities, valuation of similar companies, individual company's development, market conditions and other economic indicators.

iv. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

v. The fair value of other financial assets and liabilities is determined using discounted cash flow analysis, the interest rate and discount rate are selected with reference to those of similar financial instruments.

b. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

c. Fair value measurements recognized in the statement of financial position

The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$60,001	$-	$-	$60,001
Financial liabilities:				
Financial assets at fair value through profit or loss				
Forward exchange agreement	-	1,470	-	1,470

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$-	$-	$-	$-
Financial liabilities:				
Financial assets at fair value through profit or loss				
Forward exchange agreement	$-	304	-	304

(7) Investment financial instruments

The Company's derivative financial instruments held for trading are forward exchange contracts. The Company entered into forward exchange contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward exchange contracts:

Contract	Contract amount		Maturity
As of December 31, 2014			
Forward exchange contracts	Sell USD	1,000,000	2014.09.29-2015.02.26
As of December 31, 2013			
Forward exchange contracts	Sell USD	500,000	2013.03.14-2014.01.13
Forward exchange contracts	Sell USD	500,000	2013.05.17-2014.01.14
Forward exchange contracts	Sell USD	500,000	2013.05.30-2014.01.24

The Company entered into derivative transactions to manage exposures related to exchange rate fluctuations. Because the Company held sufficient working capital, there were not significant impacts on cash flow when the derivative transactions were completed.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Unit: Thousands

	December 31, 2014			December 31, 2013		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
Financial assets						
Monetary item:						
USD	$68,678	31.718	$2,178,329	$58,393	29.9500	$1,748,867
Investment using the equity method						
VND	1,115,599,884	0.001424	1,588,614	934,820,841	0.001424	1,331,185
Financial liabilities						
Monetary item:						
USD	19,243	31.718	610,349	$15,233	29.9500	$456,226

(9) Capital management

The primary objective of the Company’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

The following information is required additional disclosures for the Company and its investees:

(1) Financing provided: Table 1 on page 87.

(2) Endorsement/guarantee provided: Table 2 on page 88.

(3) Marketable securities acquired or disposed of that cost or amounted to at least $300 million or 20% of the paid-in capital: none.

(4) Related party transactions for purchases and sales amounts exceeding the lower of $100 million or 20 percent of capital stock: Table 3 on page 89.

(5) Acquisition of individual real estate that cost at least $300 million or 20% of the paid-in capital: none.

(6) Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: none.

(7) Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital: Table 4 on page 90 to 93.

(8) Receivables from related parties amounting to over $100 million or 20% of the paid-in capital: none.

(9) Information about derivatives of investees over which the Group has a controlling interest: Table 5 on page 94 to 95.

(10) Inter-company relationships and significant intercompany transactions: Table 6 on page 96.

(11) Names, locations, and related information of investees on which the company exercises significant influence: Table 7 on page 97 to 98.

(12) Information on investment in Mainland China

(13) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: refer to Table 8 on page 99 to 100.

ZENG HSING INDUSTRIAL CO., LTD.
Notes to Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

FINANCING PROVIDED
FOR THE YEARS ENDED DECEMBER 31, 2014

TABLE 1

No. (Note 1)	Lender	Counter- party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter- party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
0	Zeng Hsing Industrial CO., LTD.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Other receivable	Yes	$63,436 (USD2,000,000)	$-	$-	2%	Note 4	-	For operation needs	-	-	-	$808,493	$1,616,987
0	Zeng Hsing Industrial CO., LTD.	Zeng Hsing Industrial CO., Ltd. (VN)	Other receivable	Yes	317,180 (USD10,000,000)	317,180 (USD10,000,000)	$-	1.5%	Note 4	-	For operation needs	-	-	-	$808,493	$1,616,987
Total						$317,180	$-									

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Financing to individual counter-party was limited to 20% of the Company’s net equity.

Note 3: Total financing was limited to 40% of the Company’s net equity.

Note 4: For short-term financing.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEARS ENDED DECEMBER 31, 2014

TABLE 2

Note1	Endorser/ Guarantor	Company name	Relationship (Note 2)	Limit of guarantee/ endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guaranty Limited Amount (Note 4)	Parent company to subsidiary	Subsidiary to parent company	To Mainland China
0	Zeng Hsing Industrial CO., LTD.	Shinco Technologies Limited (VN)	(2)	$1,212,740	$31,718 (USD1,000,000)	$31,718 (USD1,000,000)	$-	$-	0.78	$1,616,987	Yes	No	No
0	Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	(2)	1,212,740	95,154 (USD3,000,000)	95,154 (USD3,000,000)	18,048	$-	2.35	1,616,987	Yes	No	No

Note 1: The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:
(1) A company that has a business relationship with ZENG HSING INDUSTRIAL CO., LTD.
(2) A subsidiary in which ZENG HSING INDUSTRIAL CO., LTD holds directly over 50% of equity interest.
(3) An investee in which ZENG HSING INDUSTRIAL CO., LTD and its subsidiaries hold over 50% of equity interest.
(4) An investee in which ZENG HSING INDUSTRIAL CO., LTD holds directly and indirectly over 50% of equity interest.
(5) A company that has provided guarantees to ZENG HSING INDUSTRIAL CO., LTD, and vice versa, due to contractual requirements.
(6) An investee in which ZENG HSING INDUSTRIAL CO., LTD conjunctly invests with other shareholders, and for which ZENG HSING INDUSTRIAL CO., LTD has provided endorsemen t/guarantee in proportion to its shareholding percentage.

Note 3: The amount of guarantees/endorsements shall not exceed 30% of ZENG HSING INDUSTRIAL CO., LTD's net assets value as of December 31, 2014.

Note 4: Limit of total guarantee/endorsement amount shall not exceed 40% of ZENG HSING INDUSTRIAL CO., LTD's net assets value as of December 31, 2014.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

MARKETABLE SECURITIES ACQUIRED OR DISPOSED
FOR THE YEARS ENDED DECEMBER 31, 2014

TABLE 3

Type of securities	Company Name	Type and Name of Marketable Securities	Financial Statement Account	Relationship with the Company	January 1, 2014		Purchase		Sale				December 31, 2014	
					Units	Amount	Units	Amount	Units	Amount	Carrying cost	Gain (loss) From disposal	Units	Amount
Stock	Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	Investments accounted for under the equity method	Subsidiary	-	$878,298	-	$171,256	-	-	-	-	-	$1,049,554

Note: The ending balance includes share of other comprehensive income of associates and joint ventures of $23,198 and exchange differences on translation of foreign operations adjustment under equity method of $(957).

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

RELATED PARTY TRANSACTIONS FOR PURCHASES AND SALES AMOUNTS EXCEEDING THE LOWER OF $100 MILLION OR 20 PERCENT OF CAPITAL STOCK
FOR THE YEARS ENDED DECEMBER 31, 2014

TABLE 4

Company Name	Counter Party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	1	Purchases	$1,790,593	30.90%	There is no difference with other clients	Regular	Regular	Account payable $(375,808)	(7.18%)	-
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zeng Hsing Industrial CO., Ltd.	2	Sales	$1,790,593	30.90%	There is no difference with other clients	Regular	Regular	Account receivable $375,808 (RMB72,815,858)	7.18%	-
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	2	Sales (Note 2)	$318,515	5.50%	There is no difference with other clients	Regular	Regular	Account receivable $86,090	1.64%	-

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Company Name	Counter Party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zeng Hsing Industrial CO., Ltd.	1	Purchases	$318,515	5.50%	There is no difference with other clients	Regular	Regular	Account payable $(86,090) (RMB18,315,697)	(1.64%)	-
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Purchase	$2,558,304	44.14%	There is no difference with other clients	Regular	Regular	Account payable $(174,499) (USD5,501,568.38)	(3.33%)	-
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Sales	$2,558,304	44.14%	There is no difference with other clients	Regular	Regular	Account receivable $174,499 (VND116,886,321,801)	3.33%	-
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	2	Sales (Note 3)	$158,131	2.73%	There is no difference with other clients	Regular	Regular	Account receivable $50,407 (USD1,589,233)	0.96%	-
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	1	Purchases	$158,131	2.73%	There is no difference with other clients	Regular	Regular	Account payable $(50,407) (VND33,764,844,315)	(0.96%)	-
Zhangjiagan	Zeng Hsing	3	Sales	$283,466	4.89%	There is no	Regular	Regular	Account	1.23%	-

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Company Name	Counter Party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
g Zengshing Trading CO., Ltd.	Industrial CO., Ltd. (VN)					difference with other clients			receivable $64,153 (RMB12,548,236.51)		
Zeng Hsing Industrial CO., Ltd. (VN)	Zhangjiagang Zengshing Trading CO., Ltd.	3	Purchases	$283,466	4.89%	There is no difference with other clients	Regular	Regular	Account payable $(64,153) (VND43,569,183,248)	(1.23%)	-
Shinco Technoligies Limited (VN)	Zeng Hsing Industrial CO., Ltd. (VN)	3	Sales	$294,908	5.09%	There is no difference with other clients	Regular	Regular	Account receivable $17,256 (VND12,118,245,039)	0.33%	-
Zeng Hsing Industrial CO., Ltd. (VN)	Shinco Technoligies Limited (VN)	3	Purchases	$294,908	5.09%	There is no difference with other clients	Regular	Regular	Account payable $(17,256) (VND12,118,245,039)	(0.33%)	-
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zhangjiagang Free Trade Zone Qiao Xing Electrical Co., Ltd.	3	Sales	$199,867	3.45%	There is no difference with other clients	Regular	Regular	Account receivable $41,001 (RMB8,317,112)	0.78%	-

ZENG HSING INDUSTRIAL CO., LTD.
Notes to Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Company Name	Counter Party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zhangjiagang Free Trade Zone Qiao Xing Electrical Co., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	3	Purchases	$199,867	3.45%	There is no difference with other clients	Regular	Regular	Account payable $(41,001) (RMB8,317,112)	(0.78%)	-

Note 1: No. 1 represents the transactions from the parent company to a subsidiary.
No. 2 represents the transactions from a subsidiary to the parent company.
No. 3 represents the transaction between subsidiaries.
Note 2: The Company reported the net sales of triangle trade and recognized commission of $21,943 for the years ended December 31, 2014.
Note 3: The Company reported the net sales of triangle trade and recognized commission of $10,008 for the years ended December 31, 2014.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO OVER NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEARS ENDED DECEMBER 31, 2014

TABLE 5

Name	Transaction	Item	Notional Amount (Thousand Dollars)	Settlement date	The fair value
Zeng Hsing Industrial CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/02	$(1,470)
Zeng Hsing Industrial CO., Ltd. (VN)	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/01	590
Zeng Hsing Industrial CO., Ltd. (VN)	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/02	689
Zeng Hsing Industrial CO., Ltd. (VN)	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/03	803
Zeng Hsing Industrial CO., Ltd. (VN)	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/04	376
Zeng Hsing Industrial CO., Ltd. (VN)	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/05	433
Zeng Hsing Industrial CO., Ltd. (VN)	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/06	497
Zeng Hsing Industrial CO., Ltd. (VN)	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/07	554
Zeng Hsing Industrial CO., Ltd. (VN)	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/08	632
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 500	2015/01	326
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 500	2015/02	162

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Name	Transaction	Item	Notional Amount (Thousand Dollars)	Settlement date	The fair value
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 500	2015/02	317
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 500	2015/03	169
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 500	2015/03	470
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 500	2015/03	323
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 500	2015/04	331
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 500	2015/04	350
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 500	2015/04	481
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 500	2015/05	488

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

INTER-COMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEARS ENDED DECEMBER 31, 2014

TABLE 6

Note 1	Company Name	Counter Party	Nature of Relationship (Note 2)	Transactions			
				Subject	Amount	Term	% to Total (Note 3)
0	Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zengshing Trading CO., Ltd.	(1)	Purchase	$56,266	There is no difference with other clients	0.97%
0	Zeng Hsing Industrial CO., Ltd.	Mitsumichi Industrial Co., Ltd	(1)	Purchase	25,329	There is no difference with other clients	0.44%

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: (1) represents the transactions from the parent company to a subsidiary.

(2) represents the transactions from a subsidiary to the parent company.

(3) represents the transaction between subsidiaries.

Note 3: The ratio of transaction amount to total revenues or total assets shall be calculated by ending balance to total assets for balance sheet items; for profit and loss items, they shall be calculated by the cumulative amount to total revenue for the period.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEARS ENDED DECEMBER 31, 2014

TABLE 7

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2014			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd.	Shinco Worldwide Limited (BVI)	P.O . Box 957,Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Selling household sewing machines and spare parts	$3,086 (USD100,000)	$3,086 (USD100,000)	10,000	100%	$87,715	$3,533	$3,533	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (BVI)	P.O . Box 957,Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Trading and holding company	428,654 (USD12,873,452)	428,654 (USD12,873,452)	12,873	100%	905,592	109,426	109,426	Note 1
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	Bing Doung, Vietnam	Manufacturing household sewing machines and sport equipment	1,049,554 （USD35,000,000）	878,298 (USD29,320,000)	-	100%	1,210,556	VND16,290,935,421	23,198	
Zeng Hsing Industrial CO., Ltd.	Shinco Technoligies Limited (VN)	Bing Doung, Vietnam	Material die-casting of metal of aluminum, zinc and magnesium alloy.	347,158 （USD11,173,331）	302,293 (USD9,673,331)	-	100%	376,946	VND13,002,645,765	18,516	
Zeng Hsing Industrial CO., Ltd.	Taiwan Carbon Technology CO., Ltd.	Taichung, Taiwan	Manufacturing carbon fiber, fire resistant fiber and related products.	24,105	24,105	2,500,000	19.53%	-	-	-	

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2014			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd.	Asia Bright Hometec CO., Ltd.	Taichung, Taiwan	Manufacturing electric appliances, machinery and equipment.	17,233	17,233	1,723,334	43.08%	2,542	(536)	(231)	
Zeng Hsing Industrial CO., Ltd.	Mitsumichi industrial CO. Ltd	Taichung, Taiwan	Manufacturing household sewing machines	31,330	31,330	1,378,000	53.00%	38,857	17,594	7,448	

Note 1: The long-term investment losses under equity method incurred by Zeng Hsing Industrial CO., Ltd (BVI) included the gains from investees.

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE YEARS ENDED DECEMBER 31, 2014

TABLE 8

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	Percentage of Ownership	Equity in Earnings (Losses) Note 1	Carrying Value as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow					
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Manufacturing and selling household sewing machines, vacuum cleaners and spare parts	USD13,000,000	Indirect investments through Zeng Hsing (BVI)	$304,199 (USD9,103,039)	-	-	$304,199 (USD9,103,039)	100%	$78,599	$833,171	$37,112 (USD1,073,700)
Zhangjiagang Free Trade Zone Qiao Xing Electrical Co., Ltd.	Manufacturing and selling household sewing machines, vacuum cleaners and spare parts	USD500,000	direct investments through Zeng Hsing (BVI)	$14,931 (USD500,000)	-	-	$14,931 (USD500,000)	100%	$29,909	$64,233	$-

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	Percentage of Ownership	Equity in Earnings (Losses) Note 1	Carrying Value as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow					
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics CO., Ltd.	Selling household sewing machines and spare parts.	RMB1,000,000	Indirect investments through Zeng Hsing (BVI)	$-	-	-	$-	100%	RMB2,511,749	RMB7,196,924	$-

Accumulated investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$319,130 (USD9,603,039)	$459,409(Note2) (USD13,848,355)	$2,425,480

Note 1: The financial statement was reviewed by independent accountants.

Note 2: Investment amounts authorized by the Investment Commission, MOEA were $459,409 (USD 13,848,355)., The capitalization of retained earnings in China in the amount of USD 4,245,316 was over of the upper limit of investment.