FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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The reader is advised that these consolidated 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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AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To FENG HSIN STEEL Co., Ltd.

We have audited the accompanying consolidated balance sheets of FENG HSIN STEEL Co., Ltd. and subsidiaries (collectively, the "Company") as of December 31, 2014, and December 31, 2013, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. Certain investments, which were accounted for under the equity method based on the financial statements of the investees, were audited by other independent accountants. Our audit, insofar as it related to the investments accounted for under the equity method amounting to NT$430,541 thousand and NT$323,774 thousand, which represented 2% and 2% of the total consolidated assets as of December 31, 2014, and 2013, respectively; the related shares of investment income from the associates and joint ventures amounting to NT$106,689 thousand and NT$14,138 thousand, which represented 5% and 1% of the consolidated total comprehensive income from continuing operations before income tax for the years ended December 31, 2014 and 2013, respectively; and the related shares of other comprehensive income from the associates and joint ventures amounting to NT$78 thousand and NT$0 thousand, for the years ended December 31,2014 and 2013, respectively; are based solely on the reports of other independent accountants.

We conducted our audits in accordance with the auditing standards generally accepted in the Republic of China and "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of other independent auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2014 and December 31, 2013, and the consolidated results of their operations and their cash flows for the years ended December 31, 2014 and 2013, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee which are endorsed by Financial Supervisory Commission of the Republic of China.

We have audited and expressed a modified unqualified opinion on the parent company only financial statements of FENG HSIN STEEL Co., Ltd. for the years ended December 31, 2014 and 2013.

Ernst & Young

Ernst & Young

Taiwan
Republic of China

March 24, 2015

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013

(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	2014.12.31	2013.12.31
Current Assets			
Cash and cash equivalents	4, 6.(1)	$2,043,764	$2,489,594
Financial assets at fair value through profit or loss, current	4, 6.(2)	57,870	57,639
Available-for-sale financial assets, current	4, 6.(3)	453,334	291,957
Notes receivable, net	4, 6.(4)	6,823	44,575
Accounts receivable, net	4, 6.(5)	1,811,255	1,108,456
Other receivables		9,762	10,049
Inventories, net	4, 6.(6)	4,471,783	5,392,876
Prepayments	6.(7)	438,436	588,613
Other current assets		586	19,305
Total current assets		9,293,613	10,003,064
Non-current assets			
Financial assets measured at cost, noncurrent	6.(8)	1,321,768	1,249,768
Investments accounted for under the equity method	4, 6.(9)	430,541	323,774
Property, plant and equipment	4, 6.(10)	7,675,316	7,617,654
Investment Property,net	4, 6.(11)	230,423	230,423
Deferred tax assets	4, 6.(21)	137,975	136,237
Other assets	6.(12)	215,241	35,304
Total non-current assets		10,011,264	9,593,160
Total assets		$19,304,877	$19,596,224

(The accompanying notes from an integral part of the consolidated financial statements)

(Continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2014 and 2013

(Expressed in Thousand New Taiwan Dollars)

	Notes	2014.12.31	2013.12.31
Current liabilities			
Short-term loans	4, 6.(13)	$556,857	$274,187
Notes payable		59	2,094
Accounts payable		1,271,382	1,600,222
Current tax liabilities	4	169,964	189,242
Other current liabilities	4, 6.(14)	793,123	921,816
Total current liabilities		2,791,385	2,987,561
Non-current liabilities			
Deferred tax liabilities	4, 6.(21)	1,867	53
Accrued pension liabilities	4, 6.(15)	737,296	739,246
Total non-current liabilities		739,163	739,299
Total liabilities		3,530,548	3,726,860
Equity attributable to the parent company	4, 6.(16)		
Capital			
Common stock		5,815,994	5,815,994
Additional paid-in capital		447,280	447,280
Retained earnings			
Legal reserve		3,042,595	2,897,962
Special reserve		8,625	-
Unappropriated earnings		6,496,979	6,716,753
Total Retained earnings		9,548,199	9,614,715
Other components of equity			
Unrealized gains or losses onavailable-for-sale financial assets	4	(37,144)	(8,625)
Total equity		15,774,329	15,869,364
Total liabilities and equity		$19,304,877	$19,596,224

(The accompanying notes from an integral part of the consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	2014	2013
Operating revenues	4,6.(17)	$30,171,468	$29,899,588
Operating costs	6.(18)	(27,607,924)	(27,588,501)
Gross Profit-net		2,563,544	2,311,087
Operating expenses	6.(18)		
Sales and marketing expenses		(481,534)	(425,517)
General and administrative expenses		(232,593)	(221,839)
Research and development expenses		(43,224)	(43,374)
Subtotal		(757,351)	(690,730)
Operating Income		1,806,193	1,620,357
Non-operating income and expenses			
Other income	4,6.(20)	68,803	59,444
Other gains and losses	6.(20)	1,444	37,591
Finance costs	6.(20)	(2,895)	(2,647)
Share of profit or loss of associates and joint ventures	6.(9)	106,689	14,138
Subtotal		174,041	108,526
Income from continuing operations before income tax		1,980,234	1,728,883
Income tax expense	6.(22)	(312,103)	(282,552)
Net income		1,668,131	1,446,331
Other comprehensive income	6.(21)		
Unrealized loss on available-for-sale financial assets		(28,519)	(12,519)
Actuarial loss on defined benefit plans		12,137	30,875
Share of other comprehensive of associates and joint ventures		78	-
Income tax related to components of other comprehensive income		(2,063)	(5,248)
Total other comprehensive income (loss) , net of tax		(18,367)	13,108
Total comprehensive income		$1,649,764	$1,459,439
Net income attributable to:			
Stockholders of the parent		$1,668,131	$1,446,331
Non-controlling interests		-	-
		$1,668,131	$1,446,331
Comprehensive income attributable to:			
Stockholder of the parent		$1,649,764	$1,459,439
Non-controlling interests		-	-
		$1,649,764	$1,459,439
Earnings per share (NTD)	4,6.(23)		
Earnings per share-basic		$2.87	$2.49
Earnings per share-diluted		$2.87	$2.49

(The accompanying notes from an integral part of the consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2014 and 2013

(Expressed in Thousands of New Taiwan Dollars)

	Notes	Equity Attributable to the parent company						
				Retained earnings			Other components of equity	
		Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Unrealized Gains or Losses on Available-For-Sale Financial Assets	Total Equity
Balance as of January 1, 2013		$5,815,994	$447,280	$2,736,013	$ -	$6,860,742	$3,894	$15,863,923
Appropriation and distribution of 2012 retained earnings								
Legal reserve				161,949		(161,949)		-
Cash dividends						(1,453,998)		(1,453,998)
Net income in 2013						1,446,331		1,446,331
Other comprehensive income (loss), net of tax in 2013						25,627	(12,519)	13,108
Total comprehensive income (loss)	6.(20)	-	-	-	-	1,471,958	(12,519)	1,459,439
Balance as of December 31, 2013		$5,815,994	$447,280	$2,897,962	$ -	$6,716,753	$(8,625)	$15,869,364
Balance as of January 1, 2014		$5,815,994	$447,280	$2,897,962	$ -	$6,716,753	$(8,625)	$15,869,364
Appropriation and distribution of 2013 retained earnings								
Legal reserve				144,633		(144,633)		-
Special reserve					8,625	(8,625)		-
Cash dividends						(1,744,799)		(1,744,799)
Net income in 2014						1,668,131		1,668,131
Other comprehensive income (loss), net of tax in 2014						10,152	(28,519)	(18,367)
Total comprehensive income (loss)	6.(20)	-	-	-	-	1,678,283	(28,519)	1,649,764
Balance as of December 31, 2014		$5,815,994	$447,280	$3,042,595	$8,625	$6,496,979	$(37,144)	$15,774,329

(The accompanying notes from an integral part of the financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	$1,980,234	$1,728,883
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Income and expense adjustments:		
Depreciation	859,363	1,027,272
Amortization	1,607	2,007
Gain of financial assets at fair value through profit	(231)	(20,812)
Interest expense	2,895	2,647
Interest revenue	(6,522)	(8,857)
Share of profit of associates and joint ventures	(106,689)	(14,138)
Gain on disposal of investments	(138)	(6,125)
Loss on disposal of property, plant and equipment	25,256	2,137
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	138	79,599
Decrease(Increase) in notes receivable - related parties	37,752	(2,206)
Increase in accounts receivable	(702,799)	(205,968)
Decrease in other receivables	287	3,799
Decrease (Increase) in inventories, net	922,384	(341,512)
Decrease (Increase) in prepayments	56,651	(56,753)
Decrease (Increase) in other current assets	18,719	(2,708)
Decrease in notes payable	(2,035)	(4,137)
(Decrease) Increase in accounts payable	(328,840)	468,232
Decrease in other current liabilities	(128,693)	(281,474)
Increase in accrued pension liabilities	10,187	20,931
Cash generated from operations	2,639,526	2,390,817
Interest received	6,522	8,857
Interest paid	(2,895)	(2,694)
Income tax paid	(333,368)	(164,617)
Net cash provided by operating activities	2,309,785	2,232,363

(Continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FENG HSIN STEEL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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 investing activities:		
Acquisition of available-for-sale financial assets	(189,896)	(200,066)
Acquisition of financial assets measured at cost	(72,000)	(18,000)
Acquisition of property, plant and equipment	(850,046)	(391,242)
Proceeds from disposal of property, plant and equipment	-	1,187
Increase in other assets-others	(181,544)	(9,373)
Net cash used in investing activities	(1,293,486)	(617,494)
Cash flows from financing activities:		
Decrease (Increase) in short-term loans	282,670	(713,940)
Cash dividends	(1,744,799)	(1,453,998)
Net cash used in financing activities	(1,462,129)	(2,167,938)
Net decrease in cash and cash equivalents	(445,830)	(553,069)
Cash and cash equivalents at beginning of period	2,489,594	3,042,663
Cash and cash equivalents at end of period	$2,043,764	$2,489,594

(The accompanying notes from an integral part of the consolidated financial statements)

1. HISTORY AND ORGANIZATION

FENG HSIN STEEL Co., Ltd. (the Company) was incorporated in 1969. The Company operates in the blast furnaces and steel mills sector. Its products include angle irons, steel channel, flat structural frames and shafts. The Company's common shares were publicly listed on the Taiwan Stock Exchange on May 25, 1992. The Company's registered office and the main business location is at No.702, Jiahou Rd., Houli Dist., Taichung, Taiwan (R.O.C.). FENG HSIN STEEL Co., Ltd. is the Company's parent, whilst FENG HSIN STEEL Co., Ltd. is the ultimate controlling entity of the Company.

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 December, 2014 and 2013 were authorized for issue by the Company's board of directors (the Board) on March 24, 2015.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission ("FSC") and would be applicable for annual periods beginning on or after 1 January 2015, but not yet adopted by the Group at the date of issuance of the Group's financial statements are listed below.

(a) *Improvements to International Financial Reporting Standards (issued in 2010):*

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

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 consolidated financial statements of the Group for the years ended December 31, 2014 and 2013 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC (collectively referred to as "TIFRSs").

(2) Basis of Preparation

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

(3) General Description of Reporting Entities

Preparation principle of consolidated financial statements

Subsidiaries are fully consolidated from the date of acquisition (the date on which the Group obtains control), and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, and unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary
(b) derecognizes the carrying amount of any non-controlling interest
(c) recognizes the fair value of the consideration received
(d) recognizes the fair value of any investment retained
(e) recognizes any surplus or deficit in profit or loss
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss

The consolidated entities are as follows:

			Percentage of ownership (%)	
Investor	Subsidiary	Main businesses	December 31, 2014	December 31, 2013
the Company	Great Fortune Holding Limited	Trading and holding Group	100.00%	100.00%

(4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group 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 Group'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 *Financial Instruments: Recognition and Measurement* 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.

(5) Current and Non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or 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 current when:

(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand 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(include fixed-term deposits that have maturities of 3 months from the date of acquisition).

(7) Financial Instruments

Financial assets and financial liabilities are recognized when the Group 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.

(a) Financial Assets

The Group accounts for regular way purchase or sales of financial assets on the trade date.

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

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. A financial asset is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel

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 far 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.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest 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.

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 far 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.

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 Group 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.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A 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 has 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 impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly 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
ii. a breach of contract, such as a default or delinquency in interest or principal payments
iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation
iv. the disappearance of an active market for that financial asset because of financial difficulties

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. 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 a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is 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. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the 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.

Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. The Group 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.

(b) Financial liabilities and equity

Classification between liabilities or equity

The Group 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.

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 (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 Financial Instruments: Recognition and Measurement.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

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.

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. A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss 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 far 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.

<u>Financial liabilities at amortized cost</u>

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.

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.

(c) 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.

(d) 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) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

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.

(9) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group 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 Group'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 Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.* If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets.* In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets.*

Upon loss of significant influence over the associate, the Group 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.

The Group recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

(10) 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 Group 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	6～56 years
Machinery and equipment	3～41 years
Transportation equipment	4～16 years
Furniture, fixtures and equipment	3～17 years
Leasehold improvements	2～ 5 years

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.

(11) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

Items	Useful Lives
Buildings	21 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

(12) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit'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. However, 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.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. 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 for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(13) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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:

Sale of goods

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

(a) the significant risks and rewards of ownership of the goods have transferred to the buyer;
(b) neither continuing managerial involvement nor effective control over the goods sold have been retained;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

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

Rental income

Rental income incurred from operating lease is recognized according to straight-line method over period of lease.

(14) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(15) Post-employment benefits

All regular employees of the Company 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. Therefore fund assets are not included in the Group's consolidated financial statements.

For the defined contribution plan, the Company 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. 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 Group 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.

(16) Income Tax

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, 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 in other comprehensive income or directly in 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 the Shareholders' meeting.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

(a) Where 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 interests in joint ventures, where 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 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 interests in 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 deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 deferred tax 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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Investment Property

The purpose of some real estate held by the Group was to earn rentals or for capital appreciation, some others were for the Group's own use. If the parts can be sold separately, they are treated as investment property, and property, plant and equipment. If any of the parts cannot be sold separately, it is classified as investment property only when the part for the Group's own use is an insignificant portion.

(b) Operating lease commitment—Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

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

(a) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans 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. Please refer to Note 6 for more details.

(b) Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group 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 Group company's domicile.

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

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 together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2014	2013
Cash on hand	$956	$910
Demand deposits	1,044,062	940,768
Fixed-term deposits	-	300,000
Cash equivalents	998,746	1,247,916
Total	$2,043,764	$2,489,594

(2) Financial assets at fair value through profit or loss

	As of December 31,	
	2014	2013
Held for trading:		
Non-derivative financial assets		
Stocks	$60,889	$60,889
Less: Adjustments for change in value of investment	(3,019)	(3,250)
Total	$57,870	$57,639

Financial assets held for trading were not pledged.

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

(3) Available-for-sale financial assets, current

	As of December 31,	
	2014	2013
Stocks	$490,479	$300,582
Less: Adjustments for change in value of investment	(37,145)	(8,625)
Total	$453,334	$291,957

Available-for-sale financial assets were not pledged.

(4) Notes receivables

	As of December 31,	
	2014	2013
Notes receivables arising from operating activities	$8,010	$45,762
Less: allowance for doubtful debts	(1,187)	(1,187)
Total	$6,823	$44,575

All notes receivable came from operating activities and were not pledged.

(5) Trade receivables

	As of December 31,	
	2014	2013
Trade receivables	$1,813,373	$1,110,574
Less: allowance for doubtful debts	(2,118)	(2,118)
Total	$1,811,255	$1,108,456

Trade receivables were not pledged.

Trade receivables are generally on 10-75 day terms. The movements in the provision for impairment of trade receivables are as follows (please refer to Note 12 for credit risk disclosure):

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

	Individually impaired	Collectively impaired	Total
As of January 1, 2014	$ -	$2,118	$2,118
Charge/reversal for the current period	-	-	-
Unrecoverable write-offs	-	-	-
As of 31 December , 2014	$ -	$2,118	$2,118
As of January 1, 2013	$ -	$2,118	$2,118
Charge/reversal for the current period	-	-	-
Unrecoverable write-offs	-	-	-
As of 31 December, 2013	$ -	$2,118	$2,118

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

		Past due but not impaired					
As of December 31,	Neither past due nor impaired	<=30 days	31-60 days	61-90 days	91-120 days	>= 121 day	Total
2014	$1,800,915	$10,340	$ -	$ -	$ -	$ -	$1,811,255
2013	$917,396	$180,390	$10,670	$ -	$ -	$ -	$1,108,456

(6) Inventories

a. Details as follows

	As of December 31, 2014	As of December 31, 2013
Raw materials	$1,875,463	$2,509,927
Supplies & parts	237,991	223,348
Work in progress	1,216,772	1,412,188
Finished goods	1,141,557	1,247,413
Total	4,471,783	5,392,876
Less: allowance for inventory valuation losses	-	-
Net amount	$4,471,783	$5,392,876

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

b. The inventory cost recognized as expenses for the years ended December 31, 2014 and 2013 were $27,607,924 and $27,588,501, respectively. The profit and loss that related to cost of goods sold are as follows:

	As of December 31,	
	2014	2013
Unallocated overheads resulted from low production or idle plant	$(57,650)	$(74,133)
Revenue from sale of scraps	96,613	77,732
Gain on physical inventory	126,113	76,333
Total	$165,076	$79,932

No inventories were pledged.

(7) Prepayments

	As of December 31,	
	2014	2013
Office supplies(Note)	$378,644	$547,040
Prepayments of purchases	55,467	20,947
Overpaid sale tax	-	15,299
Other prepayments	4,325	5,327
Total	$438,436	$588,613

Note: With respect to office supplies, no important spare parts or spare equipment were expected to be used for more than one year.

Prepayments were not pledged.

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

(8) Financial assets measured at cost

Investee	As of December 31, 2014	2013
Shihlien China Holding Co., Ltd.	$892,952	$892,952
Wen-Shan Enterprise Co., Ltd.	138,947	66,947
Topscon Harbour Service Co., Ltd.	84,385	84,385
Gwo Uei Metals Industrial Co., Ltd.	83,419	83,419
Gwo Huei Iron & Steel Co., Ltd.	55,464	55,464
Fung-So Investment Co. Ltd.	42,156	42,156
Ascentek Venture Capital Corporation	19,600	19,600
Feng Xin Development Enterprise Co., Ltd.	1,731	1,731
Feng Ying Enterprise Co., Ltd.	1,604	1,604
Taichung International Golf Country Club.	970	970
Gongin Precision Ind. Co., Ltd.	515	515
China Trade And Development Corporation	25	25
Total	$1,321,768	$1,249,768

The fair value of the above investments in unlisted entities can not be reliably measured as the range of reasonable fair value estimates is significant for the instrument and the probabilities of the various estimates within the range cannot be reasonably assessed. Therefore these investments are measured at cost.

Financial assets measured at cost were not pledged.

(9) Investments accounted for using the equity method

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

	As of December 31,			
	2014		2013	
Investees	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Taiwan Steel Union Co., Ltd.	$430,541	22.34%	$323,774	22.34%

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

Share of profit or loss of associates and joint ventures were $106,689 and $14,138 for the years ended December 31, 2014 and 2013, respectively. They were audited by other independent accountants.

The affiliates that the Group invested in are non-public companies which are not listed in any public trading market. No investment in the associate was pledged.

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

	As of December 31,	
	2014	2013
Total assets (100%)	$2,641,600	$2,213,753
Total liabilities (100%)	714,382	742,646

	For the years ended December 31,	
	2014	2013
Revenue (100%)	$1,653,848	$1,234,057
Profit (100%)	456,942	63,286

(10) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Construction in progress and equipment pending inspection	Total
Cost:								
As of January 1, 2014	$1,154,380	$2,593,589	$14,008,944	$32,740	$280,849	$374	$38,776	$18,109,652
Additions	-	-	338,631	183	16,983	-	494,249	850,046
Disposals	-	(11,583)	(566,628)	(4,830)	(6,355)	(374)	-	(589,770)
Other changes	15,071	13,261	196,490	-	-	-	(129,806)	95,016
As of December 31, 2014	$1,169,451	$2,595,267	$13,977,437	$28,093	$291,477	$-	$403,219	$18,464,944
Depreciation and impairment:								
As of January 1, 2014	$-	$966,127	$9,317,398	$28,669	$179,430	$374	$-	$10,491,998
Depreciation	-	73,508	763,898	1,386	20,571	-	-	859,363
Disposals	-	(11,584)	(538,590)	(4,830)	(6,355)	(374)	-	(561,733)
Other changes	-	-	-	-	-	-	-	-
As of December 31, 2014	$-	$1,028,051	$9,542,706	$25,225	$193,646	$-	$-	$10,789,628

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

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Construction in progress and equipment pending inspection	Total
Cost:								
As of January 1, 2013	$1,154,380	$2,587,861	$14,078,922	$32,673	$294,584	$1,661	$12,858	$18,162,939
Additions	-	3,064	228,825	743	21,532	-	143,078	391,242
Disposals	-	-	(507,116)	(676)	(35,267)	(1,287)	-	(544,346)
Other changes	-	2,664	214,313	-	-	-	(117,160)	99,817
As of December 31, 2013	$1,154,380	$2,593,589	$14,008,944	$32,740	$280,849	$374	$38,776	$18,109,652
Depreciation and impairment:								
As of January 1, 2013	$-	$898,122	$8,894,887	$27,908	$191,864	$1,598	$-	$10,014,379
Depreciation	-	65,160	937,899	1,437	22,614	63	-	1,027,173
Disposals	-	-	(501,800)	(676)	(35,048)	(1,287)	-	(538,811)
Other changes	-	2,845	(13,588)	-	-	-	-	(10,743)
As of December 31, 2013	$-	$966,127	$9,317,398	$28,669	$179,430	$374	$-	$10,491,998
Net carrying amount as of:								
As of December 31, 2014	$1,169,451	$1,567,216	$4,434,731	$2,868	$97,831	$-	$403,219	$7,675,316
As of December 31, 2013	$1,154,380	$1,627,462	$4,691,546	$4,071	$101,419	$-	$38,776	$7,617,654

Capitalized borrowing costs of property, plant and equipment are as follows:

Item	Annual ended December 31, 2014	Annual ended December 31, 2013
Construction in progress	$ -	$104
Capitalisation rate of borrowing costs	0.68%-1.27%	0.85%-1.71%

The major components of the Group's main buildings were the civil construction, batch plant civil construction transformers , and batching system installed scaffolding steel works, which were depreciated based on their useful lives of 56 years, 41 years and 6 years , respectively.

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

As of December 31, 2014 and 2013 deeds of certain agriculture land, both in the amount of $28,469, were not transferred to the Company. The land is categorized as other assets and the Company had entered into a trust deed with the entrusted registrant for certain agriculture land.

Property, plant and equipment were not pledged.

(11) Investment property, net

	Land	Buildings	Total
Cost:			
As at 1 January 2014	$230,423	$ -	$230,423
Additions	-	-	-
Disposals	-	-	-
As at 31 December 2014	$230,423	$ -	$230,423
As at 1 January 2013	$230,423	$7,376	$237,799
Additions	-	-	-
Disposals	-	(7,376)	(7,376)
As at 31 December 2013	$230,423	$ -	$230,423

	Land	Buildings	Total
Depreciation			
As at 1 January 2014	$ -	$ -	$ -
Depreciation	-	-	-
Disposals	-	-	-
As at 31 December 2014	$ -	$ -	$ -
As at 1 January 2013	$ -	$6,582	6,582
Depreciation	-	99	99
Disposals	-	(6,681)	(6,681)
As at 30 December 2013	$ -	$32,106	$32,106
Net carrying amount as at:			
31 December 2014	$230,423	$-	$230,423
31 December 2013	$230,423	$-	$230,423

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

	For the years ended December 31,	
	2014	2013
Rental income from investment property	$4,342	$4,253
Less:		
Direct operating expenses from investment property generating rental income	-	-
Direct operating expenses from investment property not generating rental income	-	-
Total	$4,342	$4,253

No investment property was pledged.

The fair value of investment properties was both $398,886, as at 31 December 2014 and 31 December 2013. The fair value has been determined based on valuations performed by an independent appraiser and on transactions observable in the market. The valuation method used is direct capitalized method, and the inputs used are as follows:

	As of December 31,	
	2014	2013
Discount Rate	5.73%	5.73%

(12) Other assets

	As of December 31,	
	2014	2013
Prepayment for equipment	$202,149	$20,270
Refundable deposits	10,900	11,236
Other non-current assets-other	2,192	3,798
Total	$215,241	$35,304

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

(13) Short-term borrowings

	As of December 31,	
	2014	2013
Unsecured bank loans	$555,401	$273,686
Add: Allowance for foreign exchange loss	1,456	501
	$556,857	$274,187

	For the years ended December 31,	
	2014	2013
Interest rates due date	0.68%-1.27%	0.85%-1.71%

The Group's unused short-term lines of credits amounted to $13,119,476 and $13,452,347 as of December 31, 2014, and December 31, 2013 respectively.

(14) Other current liabilities

	As of December 31,	
	2014	2013
Accrued Salary and bonus	$243,139	$209,523
Accrued Utilities	215,844	196,342
Accrued Discount	165,343	129,359
Unearned sales revenue	49,417	300,832
Others	119,380	85,760
Total	$793,123	$921,816

(15) Post-employment benefits

Defined contribution plan

The Group and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2014 and 2013 were $7,495 and $7,439, 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.

Pension costs recognized in profit or loss for the years ended December 31, 2014 and 2013:

	For the years ended December 31,	
	2014	2013
Current period service costs	$16,940	$18,323
Interest cost	13,134	11,575
Expected return on plan assets	(189)	(357)
Past service cost	-	340
Total	$29,885	$29,881

The benefit expense under the defined benefits plan recognized in the statement of comprehensive income:

	For the years ended December 31,	
	2014	2013
Operating cost	$24,315	$23,762
Selling and marketing	2,148	2,115
Management and administrative	2,448	2,345
Research and development	1,174	1,380
Total	$29,885	$29,602

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

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

	2014	2013
Balance as of January 1	$2,097	$32,972
Actuarial gains and losses for the period	(12,137)	(30,875)
Balance as of December 31	$(10,040)	$2,097

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

	As of December 31,	
	2014	2013
Defined benefit obligation	$752,045	$768,004
Plan assets at fair value	(14,749)	(28,758)
Funded status	737,296	739,246
Unrecognized past service cost	-	-
Accrued pension liabilities recognized on the consolidated balance sheets	$737,296	$739,246

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

	2014	2013
Defined benefit obligation at January 1	$768,004	$782,400
Current service cost	16,940	18,323
Interest cost	13,134	11,575
Benefits paid	(29,726)	(12,744)
Actuarial gains	(10,744)	(30,875)
Exchange differences	-	(675)
Others	(5,563)	-
Defined benefit obligation at December 31	$752,045	$768,004

Changes in fair value of plan assets are as follows:

	2014	2013
Plan assets, at fair value at January 1	$28,758	$33,210
Expected return on plan assets	189	357
Contributions by employer	7,495	7,324
Benefits paid	(11,667)	(12,131)
Actuarial gains (losses)	377	(2)
Others	(10,403)	-
Plan assets, at fair value at December 31	$14,749	$28,758

The Company expects to contribute $7,495 to its defined benefit plan during the 12 months beginning after December 31, 2014.

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

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	2013
Dump financial institutions	23.13%	25.05%
Stock and bond obligation of investment	9.96%	8.90%
Short-term notes	2.86%	5.27%
Invested in government bonds, financial debentures and corporate bonds	9.95%	10.09%
Foreign investment	35.57%	31.35%
Others	16.53%	19.34%

The actual returns on plan asset of the Company were $565 and $355 for the years ended December 31, 2014 and 2013, respectively.

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.

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

	As of December 31,	
	2014	2013
Discount rate	1.75%	1.75%
Expected rate of return on plan assets	1.75%	1.75%
Expected rate of salary increases	0.49%	0.65%

A 0.25 percentage point change in discount rate on defined benefit obligation:

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

	2014		2013	
	Discount rate Increase By 0.25%	Discount rate Decrease By 0.25%	Discount rate Increase By 0.25%	Discount rate Decrease By 0.25%
Effect on the defined benefit obligation	$(20,338)	$21,157	$(21,693)	$22,603

Other information on the defined benefit plan is as follows:

	For the years ended December 31,		
	2014	2013	2012
Defined benefit obligation at present value	$752,045	$768,004	$782,400
Plan assets at fair value	(14,749)	(28,758)	(33,210)
Surplus (deficit) in plan	$737,296	$739,246	$749,190
Experience adjustments on plan liabilities	$(2,871)	$3,655	$(4,575)
Experience adjustments on plan assets	$377	$(2)	$(83)

(16) Equities

(a) Common stock

The Company had $7,000,000 authorized capital as of December 31, 2014 and 2013 , 581,599,424 shares of which were outstanding common stocks in the amount of $5,815,994 with par value of NT10 each, with each share entitling to one voting right and receive dividends.

As of December 31, 2014, no changes has been made.

(b) Capital surplus

	As of December 31,	
	2014	2013
Additional paid-in capital	$271,134	$271,134
Treasury share transactions	175,263	175,263
Gain on sale of assets	665	665
Donated assets	218	218
Total	$447,280	$447,280

According to the Company Act, the capital reserve shall not be used except for making good 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.

(c) Legal reserve

The Company Act provides that companies must retain at least 10% of their annual earnings, as defined in the Act, until such retention equals the amount of paid-in capital. This retention is accounted for as a legal reserve account. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(d) Special reserve

When the Company distributed the earnings, 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.

Following the adoption of TIFRS, the FSC on 6 April 2012 issued Order No. Jin-Guan-Zheng-Fa-Zi-1010012865, which sets out the following provisions for compliance:

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.

As the Company reported no unrealized revaluation gains and cumulative translation adjustments (gains) on January 1, 2012, the Order had no impact on the Company.

(e)Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues
b. Offset prior years' operation losses
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve
d. Set aside or reverse special reserve in accordance with law and regulations
e. After deducting items (a), (b), (c), and (d) above from the current year's earnings, no less than 3% of the remaining amount together with the prior years' unappropriated earnings is to be allocated as employee bonuses, which will be settled through issuance of new shares of the Company or cash. Employees of the Company's subsidiaries, meeting certain requirements by the Board of Directors, are also eligible for the employee bonuses
f. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting
g. As the Company's industry is undergoing a growth development stage to reach higher growth, additional funding may be required in the near future. The Company will distribute cash dividends 10%~50% of total appropriation to shareholders. In the event that the Company receives sufficient funds for current year's capital expenditure, more than 70% of total dividends appropriation to shareholders will be distributed as cash dividends

The Company estimated the amounts of the employee bonuses for the years ended 31 December 2014 and 2013 were $30,808 and $26,003, respectively; and remuneration to directors and supervisors for the years ended 31 December 2014 and 2013 were $25,000 and $23,400, respectively. The estimates were based on post-tax net income of the period and the Company's Articles of Incorporation, and considered factors such as appropriation to legal reserve etc. The estimated employee bonuses and remuneration to directors and supervisors were recognized as operating costs or operating expense for the period. If the Board modifies the estimates significantly in the subsequent periods, the Company will recognize the change as an adjustment to current income. The difference between the estimation and the number resolved at the shareholders' meeting will be recognized in profit or loss of the subsequent year. The number of shares distributed as share dividends was calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend.

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

The distributions of cash dividend, employee bonus and directors' remuneration for 2014 and 2013 were approved through the board of directors' meeting and the stockholders' meeting held on March 24, 2015 and June 12, 2014, respectively. The details of distribution are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2014	2013	2014	2013
Legal reserve	$166,813	$144,633		
Special reserve	28,520	8,625		
Common stock -cash dividend	1,453,998	1,744,799	2.5	3.0
Directors' remuneration	25,000	23,400		
Employee bonus－cash	30,808	26,003		
Total	$1,705,139	$1,947,460		

The aforementioned 2013 employee bonuses and remuneration to directors approved at the stockholders' meeting were consistent with the estimated amount in the financial statements for the year ended December 31, 2013.

Information on the board of directors' recommendations and shareholders' approval regarding the employee bonuses and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(17) Operating revenue

	For the years ended December 31,	
	2014	2013
Sale revenue	$30,996,793	$30,655,910
Less: Sales returns, discounts and allowances	(825,325)	(756,322)
Total	$30,171,468	$29,899,588

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

(18)Summary statement of employee benefits, depreciation and amortization expenses by function for the year ended December 31, 2014 and 2013:

Function / Nature	2014			2013		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$570,824	$184,087	$754,911	$529,892	$175,784	$705,676
Labor and health insurance	43,393	13,456	56,849	41,493	13,137	54,630
Pension	40,298	9,892	50,190	34,066	8,633	42,699
Other employee benefits expense	36,026	9,486	45,212	32,926	9,164	42,090
Depreciation	836,631	22,732	859,363	1,006,536	20,322	1,026,858
Amortization	1,407	200	1,607	1,807	200	2,007

The number of employees of the Group for the years ended December 31, 2014 and 2013 were 807 and 793, respectively.

(19) Non-operating income and expenses

a. Other income

	For the years ended December 31,	
	2014	2013
Interest income	$6,522	$8,857
Rental income	5,083	4,913
Dividend income	37,889	28,997
Others	19,309	16,677
Total	$68,803	$59,444

b. Other gains and losses

	For the years ended December 31,	
	2014	2013
Gain of financial assets at fair value through profit or loss	$231	$20,812
Foreign exchange gains (losses), net	29,804	22,438
Gains on disposal of investments	138	6,125
Losses on disposal of property, plant and equipment	(25,256)	(2,137)
Others	(3,473)	(9,647)
Total	$1,444	$37,591

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

c. Finance costs

	For the years ended December 31, 2014	For the years ended December 31, 2013
Loan interest from bank	$(2,895)	$(2,647)

(20) Components of other comprehensive income

For the year ended December 31, 2014:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Unrealized losses from available-for-sale financial assets	$(28,519)	$ -	$(28,519)	$ -	$(28,519)
Actuarial gains on defined benefits plan	12,137	-	12,137	(2,063)	10,074
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	78	-	78	-	78
Total of other comprehensive income	$(16,304)	$ -	$(16,304)	$(2,063)	$(18,367)

For the year ended December 31, 2013:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Unrealized gains from available-for-sale financial assets	$(12,519)	$ -	$(12,519)	$ -	$(12,519)
Actuarial gains on defined benefits plan	30,875	-	30,875	(5,248)	25,627
Total of other comprehensive income	$18,356	$ -	$18,356	$ (5,248)	$13,108

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

(21) Income tax

The major components of income tax expense are as follows:

(a) Income tax expense recognized in profit or loss

	For the years ended December 31, 2014	2013
Current income tax expense:		
Current income tax charge	$314,090	$287,242
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(1,987)	(4,690)
Total income tax expense	$312,103	$282,552

(b) Income tax relating to components of other comprehensive income

	For the years ended December 31, 2014	2013
Deferred tax expense (income):		
Actuarial gains or losses on defined benefits plan	$2,063	$5,248
Income tax relating to components of other comprehensive income	$2,063	$5,248

(c) A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

	For the years ended December 31, 2014	2013
Accounting profit before tax from continuing operations	$1,980,234	$1,728,883
Tax at the domestic rates applicable to profits in the country concerned	336,640	293,910
Tax effect of revenues exempt from taxation	(24,641)	(11,912)
Tax effect of expenses not deductible for tax purposes	104	200
10% surtax on unappropriated earnings	-	354
Total income tax expenses recorded in profit or loss	$312,103	$282,552

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

(d) Deferred tax assets (liabilities) relate to the following:

For the year 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				
Bonus payable	$6,130	$372	$ -	$6,502
Revaluations of available-for-sale investments to fair value	3,679	-	-	3,679
Loss from price recovery (reduction) of inventories	1,112	-	-	1,112
Unrealized foreign exchange gains or losses	(53)	(107)	-	(160)
Investments accounted for using the equity method	11	(10)	-	1
Pension cost	124,949	1,732	-	126,881
Actuarial gains or losses on defined benefits plan	356	-	(2,063)	(1,707)
Deferred income tax benefit		$1,987	$(2,063)	
Deferred income tax assets	$136,184			$136,108
The information represent in balance statement				
Deferred income tax assets	$136,237			$137,975
Deferred income tax liabilities	$(53)			$(1,867)

For the year ended December 31, 2013:

Items	Balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of December 31
Temporary difference				
Bonus payable	$4,109	$2,021	$-	$6,130
Revaluations of available-for-sale investments to fair value	3,849	(170)	-	3,679
Loss from price recovery (reduction) of inventories	1,112	-	-	1,112
Unrealized foreign exchange gains or losses	(15)	(38)	-	(53)
Investments accounted for using the equity method	12	(1)	-	11
Pension cost	126,995	3,558	(5,248)	125,305
Other	680	(680)	-	-
Deferred income tax benefit		$4,690	$(5,248)	
Deferred income tax assets	$136,742			$136,184
The information represent in balance statement				
Deferred income tax assets	$136,757			$136,237
Deferred income tax liabilities	$(15)			$(53)

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

(e) Imputation credit information

	As of December 31,	
	2014	2013
Balance of the imputation credit account	$1,193,588	$1,255,937

The expected creditable ratio for 2014 and the actual creditable ratio for 2013 were 18.37% and 21.52%, respectively.

The Company's earnings generated in the year ended 31 December 1997 and prior years have been fully distributed.

(f) The assessment of income tax returns

As of December 31, 2014, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2012

(22) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

a. Basic earnings per share

	For the years ended December 31,	
	2014	2013
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,668,131	$1,446,331
Weighted-average number of ordinary shares for basic earnings per share (in thousands)	581,599	581,599
Basic earnings per share (NT$)	$2.87	$2.49

b. Diluted earnings per share

	2014	2013
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,668,131	$1,446,331
Profit attributable to ordinary equity holders of the Company after dilution(in thousand NT$)	$1,668,131	$1,446,331
Weighted-average number of ordinary shares for basic earnings per share(in thousands)	581,599	581,599
Basic earnings per share (NT$)	$2.87	$2.49

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions with related parties

(a) Purchases

	For the years ended December 31,	
	2014	2013
Associates	$231,229	$32,592

The purchase price from the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers.

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

(b) Account Payable

	As of December 31,	
	2014	2013
Associates	$6,587	$5,391

(c) Other

Taiwan Steel Union Co., Ltd was commissioned to process the electric arc furnace dust. Other expenditures paid to Taiwan Steel Union Co., Ltd for the years ended December 31, 2014 and 2013 were $60,670 and $46,282, respectively, and were recorded as manufacturing expenses. The unpaid amounts as of December 31, 2014 and December 31, 2013 were $6,587 and $5,391.

(d) Key management personnel compensation

	For the years ended December 31,	
	2014	2013
Short-term employee benefits	$53,978	$49,615
Post-Employment Benefits	830	771
Total	$54,808	$50,386

8. ASSETS PLEDGED AS COLLATERAL

None.

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Company issued guaranty notes as security for borrowings in the amount of $12,396,625 and $12,246,625 as of December 31, 2014 and 2013, respectively.

(2) As of December 31, 2014 and 2013, the Company was guaranteed for $35,000 by bank for importing goods during both periods.

(3) Amounts available under unused letters of credit are as follows:

	Carrying amount	
Currency	2014.12.31	2013.12.31
USD	$29,656,768	$15,987,785
JPY	494,980,430	103,031,000
EUR	3,245,200	271,525

The amounts that are available under unused letters of credit above are unguaranteed.

(4) The following table lists major purchase contracts of the Group :

Contract counterparty	Contract content	Contract amount	Contract amount paid	Unpaid amount as of December 31,
Company A	Machinery and equipment	EUR 3,635 (in thousands of Euros)	EUR 545 (in thousands of Euros) ($22,208)	EUR 3,090 (in thousands of Euros)
Company B	Leased land preparation and drainage civil construction	$149,000	$45,653	$103,347

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

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

12. OTHERS

(1) Categories of financial instruments

Financial assets	As of December 31, 2014	As of December 31, 2013
Financial assets at fair value through profit or loss:		
Designated financial assets at fair value through profit or loss-current	$57,870	$57,639
Available-for-sale financial assets		
Financial assets at fair value	453,334	291,957
Financial assets at cost-noncurrent	1,321,768	1,249,768
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	2,042,808	2,488,684
Notes and accounts receivable	1,818,078	1,153,031
Other receivables	9,762	10,049

Financial liabilities	2014	2013
Financial liabilities at amortized cost:		
Short-term borrowings	556,857	274,187
Notes and accounts payable	1,271,441	1,602,316

(2) Financial risk management objectives and policies

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

The Group 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 Group 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 variables, there is 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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received.

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

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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

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

The interest rate sensitivity analysis is performed on the borrowings and investments with variable interest rates as of the end of the reporting period, under the assumption that, a change of 10 basis points of interest rates in a reporting period.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Pre-tax sensitivity analysis of changes in related risk factors for the years ended December 31, 2014 and 2013 are as follows:

For the year ended December 31, 2014

Main Risk	Fluctuation	Sensitivity of profit/loss	Sensitivity of equity
Foreign currency risk	NTD/USD rate +/− 1%	+/−$2,853	-
	NTD/JPY rate +/− 1%	+/− $1,000	-
	NTD/EUR rate +/− 1%	+/− $227	-
Interest rate risk	Market rate +/− 10 basis points	+/− $557	-
Equity price risk	Stock price +/− 1%	-	+/− $4,533

For the year ended December 31, 2013

Main Risk	Fluctuation	Sensitivity of profit/loss	Sensitivity of equity
Foreign currency risk	NTD/USD rate +/− 1%	+/−$1,854	-
	NTD/JPY rate +/− 1%	+/− $82	-
	NTD/EUR rate +/− 1%	+/− $279	-
Interest rate risk	Market rate +/− 10 basis points	+/− $277	-
Equity price risk	Stock price +/− 1%	-	+/− $2,920

(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 Group is exposed to credit risk from operating activities (primarily for trade receivables and notes 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 Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, ratings from credit rating agencies, historical experiences, prevailing economic condition and the Group'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 December 31, 2013, amounts receivables from top ten customers represented 27.92% and 23.69% of the total trade receivables of the Group, 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 Group's treasury in accordance with the Group's policy. The Group 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.

(5) Liquidity risk management

The Group'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 loans. 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.

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

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2014					
Short-term borrowings	$561,972	$ -	$ -	$ -	$561,972
Notes and accounts payable	1,271,441	-	-	-	1,271,441
As of December 31, 2013					
Short-term borrowings	$277,506	$ -	$ -	$ -	$277,506
Notes and accounts payable	1,602,316	-	-	-	1,602,316

(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, accounts receivables, accounts payable and other current liabilities approximate their fair value.

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. Fair value of equity instruments without market quotations (including unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as recent fund raising activities, valuation of similar companies, individual company's development, market conditions and other economic indicators.

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

b. Assets measured at fair value

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				
Stocks	$57,870	$ -	$ -	$57,870
Available-for-sale financial assets				
Stocks	453,334	-	-	453,334

As of December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$57,639	$ -	$ -	$57,639
Available-for-sale financial assets				
Stocks	291,957	-	-	291,957

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

(7) Significant assets and liabilities denominated in foreign currencies

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

Unit: Thousands

	As of December 31, 2014			As of December 31, 2013		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$8,365	31.5800	$264,162	$6,022	29.7400	$179,122
Financial liabilities						
Monetary item:						
USD	$17,344	31.6800	$549,396	$12,376	29.8400	$369,280
JPY	370,347	0.2667	98,772	64,657	0.2859	18,380
EUR	586	38.6930	22,666	586	41.3030	24,217

(8) Capital management

The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

a. Financing provided to others for the year ended December 31, 2014: None.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2014: None.

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

c. Securities held as of December 31, 2014:

Name of company	Type of securities	Name of securities	Relationship	Financial statement account	December 31, 2014				NOTE
					Units (thousand)/ bonds/ shares (thousand)	Book value	Percentage of ownership (%)	Market value/Net assets value	
GREAT FORTUNE HOLDING LIMITED.	Stock	Shihlien China Holding Co., Ltd	-	Financial assets measured at cost, noncurrent	186,264,000	$892,952	6.28%	-	
FENG HSIN STEEL CO.,LTD.	Stock	Wen-Shan Enterprise Co., Ltd	-	Financial assets measured at cost, noncurrent	10,917,000	138,947	18.00%	-	
		Topscon Harbour Service Co., Ltd.	-	Financial assets measured at cost, noncurrent	7,859,800	84,385	12.20%	-	
		Gwo Uei Metals Industrial Co., Ltd.	-	Financial assets measured at cost, noncurrent	3,800,000	83,419	19.00%	-	
		Gwo Huei Iron & Steel Co., Ltd.	-	Financial assets measured at cost, noncurrent	3,800,000	55,464	19.00%	-	
		Fung-So Investment Co. Ltd	-	Financial assets measured at cost, noncurrent	3,640,000	42,156	18.20%	-	
		Ascentek Venture Capital Corporation	-	Financial assets measured at cost, noncurrent	1,960,000	19,600	5.35%	-	
		Feng Xin Development Enterprise Co., Ltd	-	Financial assets measured at cost, noncurrent	160,200	1,731	16.95%	-	
		Feng Ying Enterprise Co.,Ltd.	-	Financial assets measured at cost, noncurrent	132,000	1,604	8.99%	-	
		Taichung International Golf Country Club	-	Financial assets measured at cost, noncurrent	1	970	-%	-	
		Gongin Precision Ind. Co., Ltd	-	Financial assets measured at cost, noncurrent	40,341	515	0.08%	-	
		China Trade And Development Corporation	-	Financial assets measured at cost, noncurrent	1,925	25	-%	-	
		The Twins Metal Technology Co., Ltd.	-	Financial assets measured at cost, noncurrent	2,164,341	-	2.99%	-	
				Total		$1,321,768			

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

Name of company	Type of securities	Name of securities	Relationship	Financial statement account	December 31, 2014 Units (thousand)/ bonds/ shares (thousand)	Book value	Percentage of ownership (%)	Market value/Net assets value	NOTE
FENG HSIN STEEL CO.,LTD.	Stock	Taiwan Fertilizer Co.,Ltd.	-	Available-for-sale financial assets, current	2,802,000	$200,066	-	$156,351	
		Chunghwa Telecom	-	Available-for-sale financial assets, current	2,104,000	190,748	-	197,776	
		Formosa Plastics Corporation	-	Available-for-sale financial assets, current	900,000	66,068	-	65,070	
		Nan Ya Plastics Corporation	-	Available-for-sale financial assets, current	520,000	33,294	-	34,060	
		Pacgen Biopharmaceuticals	-	Available-for-sale financial assets, current	282,346	303	-	77	
				Total		490,479		$453,334	
				Less: Adjustments for change in value of investment		(37,145)			
				Subtotal		$453,334			
FENG HSIN STEEL. CO.,LTD	Stock	U-MING MARINE TRANSPORT CORP.	-	Financial assets at fair value through profit or loss	430,000	$26,421	-	$21,457	
		Asia Cement Corporation	-	Financial assets at fair value through profit or loss	491,869	18,142	-	19,183	
		YANG MING MARINE TRANSPORT CORP.	-	Financial assets at fair value through profit or loss	440,000	6,455	-	7,414	
		First Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	341,865	4,985	-	6,376	
		CSBC Corporation, Taiwan	-	Financial assets at fair value through profit or loss	206,000	4,886	-	3,440	
				Total		60,889		$57,870	
				Less: Adjustments for change in value of investment		(3,019)			
				Subtotal		$57,870			

NOTE: Investments that do not have quoted prices in an active market and their fair values cannot be reliably measured are not listed.

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

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the paid-in capital for the year ended December 31, 2014: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the paid-in capital for the year ended December 31, 2014: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock for the year ended December 31, 2014: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2014:

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Terms	Unit price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	TAIWAN STEEL UNION CO., LTD.	Associates	Purchase	$231,229	1.04%	30 days	N/A	-	$(6,587)	(0.52)%	

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of year ended December 31, 2014: None.

i. Financial instruments and derivative transactions: None.

j. Others: The business relationship, significant transactions and amounts between parent company and subsidiaries: None.

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

(2) Information on investees

Names, locations, main businesses and products, original investment amount, investment as of December 31, 2014, net income (loss) of investee company and investment income (loss) recognized as of December 31, 2014:

Investment company	Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2014			Net income (loss) of investee company(註)	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of Shares (thousand)	Percentage of ownership (%)	Book value			
FENG HSIN STEEL CO.,LTD.	GREAT FORTUNE HOLDING LIMITED	Offshore Chamber, P.O. Box217, Apia, Samoa	General investment business	$894,271	$894,271	28,884,000	100.00%	$894,266	$56	$56	Subsidiary company of the Company
FENG HSIN STEEL CO.,LTD.	TAIWAN STEEL UNION CO., LTD.	No.36, Xiangong N. 1st Rd., Shengang Township, Changhua County 509, Taiwan (R.O.C.)	General business and hazardous industrial waste treatment, the manufacture and sale of zinc oxide and non-metallic mineral products.	$200,890	$200,890	31,903,696	22.34%	$430,541	$456,942	$106,689	Associated company of the Company

(3) Information on investments in mainland China

a. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), book value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

(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	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 1)	Carrying Value as of December 31, 2014 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow						
Shihlien Chemical Industrial Jiangsu Co.	Sodium carbonate, which is the ingredient of glass production	USD 648,000,000	Note 2	$863,802 (USD27,352,800)	-	-	$863,802 (USD27,352,800)	$(3,204,751) (-USD101,480,397)	3.49%	$ -	$846,571	$ -
Shihlien Brine Huaian Co.	Brine, which is the ingredient of sodium carbonate	USD 32,000,000	Note 2	$46,953 (USD1,486,800)	-	-	$46,953 (USD1,486,800)	$109,466 (USD3,466,301)	3.94%	$ -	$46,381	$ -

Accumulated Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$910,755 (USD 28,839,600)	$910,755 (USD 28,839,600)	$9,464,597

Note 1: The Company's subsidiary's investment in Mainland China was made indirectly through a cost method investee established in the third region.

Note 2: Pursuant to the Investment Commission, Ministry of Economic Affairs,R.O.C., the Company's investment in Mainland China is limited to 60% of net worth or consolidated net worth.

Note 3: Initial investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the spot rates at the financial statement reporting date.

b. Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: None.

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

14. Segment information

(a) The Company is considered as a single operating segment as judged by the managements that, the organization's primary income comes from manufacturing and processing various angle irons, round irons, and flat irons.

(b) Geographical information

i. Revenue from external customers:

	For the years ended December 31,	
	2014	2013
Taiwan	$26,374,022	$26,928,832
Export - Asia	2,127,860	2,102,998
Export - Other	1,669,586	867,758
Total	$30,171,468	$29,899,588

The revenue information above is based on the location of the customers.

ii. Non-current assets:

	As of December 31,	
	2014	2013
Taiwan	$8,120,980	$7,883,381

(c) Information about major customers

No single customer's sales revenue accounted for over 10% of revenue on the Company's income statement for the years ended December 31, 2014 and 2013.