Cathay Securities Investment Trust Co., Ltd.
Financial Statements
For The Years Ended
31 December 2014 and 2013
With Independent Auditors' Report

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The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

Index to Financial Statements

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English Translation of Report Originally Issued in Chinese

Report of Independent Auditors

The Board of Directors
Cathay Securities Investment Trust Co., Ltd.

We have audited the accompanying balance sheets of Cathay Securities Investment Trust Co., Ltd. as of 31 December 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of Cathay Securities Investment Trust Co., Ltd. as of 31 December 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with the International Financial Reporting Standards, International Accounting Standards, and relevant interpretations and interpretative bulletins recognized by the Financial Supervisory Commission.

Ernst & Young

Ernst & Young
Taipei, Taiwan
The Republic of China
18 March 2015

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with IFRSs recognized by the Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the R.O.C.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.

Balance Sheets

31 December 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

		31 December 2014		31 December 2013	
Assets	Notes	Amount	%	Amount	%
Current assets	IV, VI and VII				
Cash and cash equivalents	IV	$1,742,914	66	$1,555,238	64
Accounts receivables, net	IV and VII	12,217	-	11,775	-
Accounts receivable - related parties, net	IV	104,110	4	97,324	4
Other receivables	VI and VII	2,275	-	550	-
Prepayments		19,051	1	16,436	1
Other current assets		164	-	-	-
Total current assets		1,880,731	71	1,681,323	69
Non-current assets					
Available-for-sale financial assets-non current	IV, VI and VII	126,726	5	143,232	6
Investments in debt securities with no active market-non current	IV and VI	-	-	2,500	-
Investments accounted for using equity method-non current	IV and VI	279,825	11	298,036	12
Property and equipment	IV and VI	15,699	1	18,466	1
Intangible assets	IV and VI	12,666	-	15,191	1
Deferred tax assets	IV and VI	9,955	-	9,614	-
Refundable deposits	IV	239,108	9	219,639	9
Other non-current assets	VI and VII	67,710	3	58,037	2
Total non-current assets		751,689	29	764,715	31
Total assets		$2,632,420	100	$2,446,038	100

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

English Translation of Financial Statements Originally Issued in Chinese
Cathay Securities Investment Trust Co., Ltd.
Balance Sheets (continued)
31 December 2014 and 2013
(Expressed in thousands of New Taiwan Dollars)

Liabilities and equity	Notes	31 December 2014 Amount	%	31 December 2013 Amount	%
Current liabilities	IV and VII				
Other payables	VI	$262,136	10	$240,250	10
Deferred income		23,502	1	17,484	1
Receipts under custody		4,378	-	3,703	-
Total current liabilities		290,016	11	261,437	11
Non-current liabilities					
Provisions-non current	IV and VI	58,557	2	56,554	2
Deferred tax liabilities	VI	1,947	-		-
Long-term deferred income	VI	112,608	5	96,424	4
Total non-current liabilities		173,112	7	152,978	6
Total liabilities		463,128	18	414,415	17
Capital stock					
Common stock	VI	1,500,000	57	1,500,000	61
Capital reserves	VI	13,908	-	13,908	1
Retained earnings	VI				
Legal reserves		283,417	11	260,051	11
Special reserves		7,357	-	7,023	-
Undistributed earnings		345,730	13	233,656	9
Tota retained earnings		636,504	24	500,730	20
Other equity		18,880	1	16,985	1
Total equity		2,169,292	82	2,031,623	83
Total liabilities and equity		$2,632,420	100	$2,446,038	100

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.

Statements of Comprehensive Income

For the years ended 31 December 2014 and 2013

(Expressed in thousands of New Taiwan Dollars, except for share and per share data)

Items	Notes	2014 Amount	2014 %	2013 Amount	2013 %
Operating income	IV, VI and VII	$1,349,944	100	$1,248,468	100
Operating expenses	VI and VII	(943,677)	(70)	(907,030)	(73)
Operating profit		406,267	30	341,438	27
Non-operating income and expenses					
Interest income	VII	18,531	1	13,166	1
Other income		127	-	125	-
Gain on disposal of investment	VI	14,550	1	6,293	1
Gain (loss) on foreign currency exchange		10,879	1	(547)	-
Other expenses		(2,689)	-	(167)	-
Loss on disposal of property and equipment		(53)	-	(1)	-
Investment loss recognized by the equity method		(26,621)	(2)	(30,929)	(3)
Total non-operating income (expenses)		14,724	1	(12,060)	(1)
Income before income tax		420,991	31	329,378	26
Income tax expense	IV and VI	(75,261)	(5)	(59,862)	(5)
Net income from continuing operations		345,730	26	269,516	21
Other comprehensive income	VI				
Net gains (losses) on available-for-sale financial assets		(6,515)	(1)	9,823	1
Share of other comprehensive profit of associates		8,410	1	5,173	-
Other comprehensive income		$347,625	26	$284,512	22
Earnings per share (in dollars)					
Basic earning per share					
Net income from continuing operations	VI	$2.30		$1.80	
Net income		$2.30		$1.80	

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.

Statements of Changes in Equity

For the years ended 31 December 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

			Retained earnings			Other equity		
Description	Capital stock	Capital reserves	Legal reserves	Special reserves	Undistributed earnings	Exchange differences resulting from translating the financial statements of a foreign operations	Unrealized gains or losses on available-for-sale financial assets	Total
Balance as of 1 January 2013	$1,500,000	$13,908	$232,336	$6,446	$241,297	$-	$1,989	$1,995,976
Appropriation and distribution of 2012 earnings:								
Legal reserves	-	-	27,715	-	(27,715)	-	-	-
Special reserves	-	-	-	577	(577)	-	-	-
Cash dividends	-	-	-	-	(248,865)	-	-	(248,865)
Net income for the year ended 31 December 2013	-	-	-	-	269,516	-	-	269,516
Other comprehensive income for the year ended 31 December 2013	-	-	-	-	-	5,173	9,823	14,996
Total comprehensive income for the year ended 31 December 2013	-	-	-	-	269,516	5,173	9,823	284,512
Balance as of 31 December 2013	1,500,000	13,908	260,051	7,023	233,656	5,173	11,812	2,031,623
Balance as of 1 January 2014	1,500,000	13,908	260,051	7,023	233,656	5,173	11,812	2,031,623
Appropriation and distribution of 2013 earnings:								
Legal reserves	-	-	23,366	-	(23,366)	-	-	-
Special reserves	-	-	-	334	(334)	-	-	-
Cash dividends	-	-	-	-	(209,956)	-	-	(209,956)
Net income for the year ended 31 December 2014	-	-	-	-	345,730	-	-	345,730
Other comprehensive income for the year ended 31 December 2014	-	-	-	-	-	9,023	(7,128)	1,895
Total comprehensive income for the year ended 31 December 2014	-	-	-	-	345,730	9,023	(7,128)	347,625
Balance as of 31 December 2014	$1,500,000	$13,908	$283,417	$7,357	$345,730	$14,196	$4,684	$2,169,292

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.

Statements of Cash Flows

For the years ended 31 December 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

Items	Notes	2014	2013
Cash flows from operating activities:			
Net income before income tax		$420,991	$329,378
Adjustments items:			
Depreciation	VI	6,407	8,500
Amortization	VI	9,187	7,502
Loss on disposal of property and equipment		53	1
Interest income		(18,531)	(13,166)
Gain on disposal of investment		(14,550)	(6,293)
Investment loss recognized by the equity method	VI	26,621	30,929
Net changes in operating assets and liabilities:			
Net changes in operating assets:			
Increase in accounts receivables		(442)	(411)
Increase in accounts receivable - related parties		(6,786)	(10,260)
Increase in prepayments		(2,615)	(4,723)
Increase in other receivables		-	(3)
Increase in other current assets		(164)	-
Increase in other non-current assets		(9,673)	(18,145)
Net changes in operating liabilities:			
Increase in other payables		7,543	31,974
Increase in deferred income		6,017	6,118
Increase in receipts under custody		676	277
Increase in provision		2,003	1,226
Increase in long-term deferred income		16,185	30,304
Cash from operating activities		442,922	393,208
Interest received		16,806	16,856
Income tax paid		(59,311)	(20,519)
Net cash provided by operating activities		400,417	389,545
Cash flows from investing activities:			
Aquisition of availabl-for-sale financial assets		(90,655)	(64,800)
Disposal of available-for-sale financial assets		115,195	65,718
Repayment of investments in debt securities with no active market		2,500	8,750
Repayment of held-to-maturity financial assets		-	200,000
Increase in investments accounted for using equity method		-	(323,793)
Aquisition of property and equipment	VI	(3,693)	(7,015)
Increase in refundable deposits		(19,470)	(15,467)
Aquisition of intangible assets	VI	(6,662)	(12,218)
Net cash used in investing activities		(2,785)	(148,825)
Cash flows from financing activities:			
Cash dividends		(209,956)	(248,865)
Net cash used in financing activities		(209,956)	(248,865)
Net increase (decrease) in cash and cash equivalents		187,676	(8,145)
Cash and cash equivalents at beginning of the period		1,555,238	1,563,383
Cash and cash equivalents at end of the period		$1,742,914	$1,555,238

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.
Notes to Financial Statements
December 31 2014 and 2013
(Amounts in thousands except for share and per share data and unless otherwise stated)

Ⅰ. Organization and Operations

Cathay Securities Investment Trust Co., Ltd. (the "Company") was authorized to be established in Taipei on 11 February 2000. The Company was enfranchised by the Securities and Futures Bureau, Financial Supervisory Commission ("FSC") in the Republic of China ("the ROC") on 9 March 2000.

In order to provide immediate services to clients in southern Taiwan, the Company established Kaohsiung branch on 18 September 2008 under permission of Explanatory Letter No. Financial-Supervisory-Securities-IV-0970049791 of the FSC and started its main operating business on 15 December 2008. The Company obtained the business license authorized to establish branches and started its main operating business in Hsinchu and Taichung in June 2011 and May 2010, respectively.

The Company has become one of the subsidiaries of Cathay Financial Holding Co., Ltd. as the former stockholders sold all shares to Cathay Financial Holding Co., Ltd. on 24 June 2011.

The Company has been approved to conduct business in (1) raising securities investment trust funds through issuance of beneficiary certificates to invest in securities and related products；(2) discretionary investment services；(3) futures trust business；(4) securities investment consulting business；(5) other business permitted by the Securities and Futures Bureau, FSC in the ROC.

As of 31 December 2014 and 2013, the Company employed 254 and 240 employees, respectively.

As of 31 December 2014 and 2013, the Company had raised the following funds:

Names	Type of Fund	Date of Inception	2014.12.31 Amounts in millions (Not audited)	2013.12.31 Amounts in millions (Not audited)
Cathay Dragon Fund	Open-end	March 1994	$10,013	$9,991
Cathay Cathay Fund	Open-end	June 2000	3,891	2,837
Cathay Taiwan Money Market Fund	Open-end	October 2000	37,604	33,087
Cathay Small & Medium Cap Fund	Open-end	January 2001	4,238	4,474
Cathay Assets Allocation Neutral Fund	Open-end	June 2001	519	536
Cathay Greater China Fund	Open-end	January 2002	6,564	7,505
Cathay Technology Fund	Open-end	July 2002	2,423	2,330
Cathay Global Balance Fund of Funds	Open-end	December 2005	259	276
Cathay Global Aggressive Fund of Funds	Open-end	December 2005	919	1,019
Cathay Global Infrastructure Fund	Open-end	December 2006	1,606	2,060
Cathay Taiwan Quantitative Fund	Open-end	October 2007	188	234
Cathay Global Ecology Fund	Open-end	March 2008	446	530
Cathay Man AHL Futures Trust Fund of Funds	Open-end Portfolio	August 2009	302	530
Cathay Mandarin Fund	Open-end	November 2009	2,382	2,517
Cathay High Income Fund of Funds	Open-end	May 2010	1,537	1,404
Cathay Emerging Markets Fund	Open-end	August 2010	727	886
Cathay Global Resources Fund	Open-end	December 2010	840	1,152
Cathay China Domestic Demand Growth Fund	Open-end	June 2011	2,321	2,135
Cathay Emerging Market High Yield Fund	Open-end	September 2011	7,659	8,385
Cathay China Emerging Industries Fund	Open-end	April 2012	5,714	5,072
Cathay Value and Superior Fund	Open-end	July 2012	1,147	1,178
Cathay New Zealand Dollar Principal Protected Fund	Open-end	October 2012	2,108	2,216
Cathay Multi-Strategy High Yield Bond Fund	Open-end	January 2013	1,044	3,082
Cathay New Zealand Dollar 8-Years Principle Protected Fund	Open-end	October 2013	1,333	1,253
Cathay Non-Finance Non-Electronics Sub-Index Fund	Open-end	November 2013	255	252
Cathay RMB Money Market Fund	Open-end	December 2013	1,537	3,475
Cathay Emerging China Bond Fund	Open-end	December 2013	4,649	4,752
Cathay Global Fortune Money Market Fund (Originally Ontario Fortune Money Market Fund which was renamed on 24 June 2014)	Open-end	September 2010 (Transferred in January 2014)	220	-
Cathay High-Tech Fund (Originally Ontario High-Tech Fund which was renamed on 25 April 2014)	Open-end	July 2010 (Transferred in January 2014)	381	-
Cathay Global Multiple Income Balanced Fund	Open-end	August 2014	1,836	-
Cathay New Zealand Dollar 2021 Principal Protected Fund	Open-end	August 2014	1,154	-
Cathay Asian Growth Fund	Open-end	December 2014	4,795	-
			$110,611	$103,168

Ⅱ. Date and procedures of authorization of financial statements for issue

The financial statements of the Company for the years ended 31 December 2014 and 2013 were authorized for issue in accordance with the Board of Directors' resolution on 18 March 2015.

Ⅲ. 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 FSC and would be applicable for annual periods beginning on or after 1 January 2015, but not yet adopted by the Company at the date of issuance of the Company's financial statements are listed below.

(1) *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 32 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 has 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.

(2) *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.

(3) *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.

(4) *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.

(5) *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.

(6) *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.

(7) *IFRS 11 "Joint Arrangements"*

IFRS 11 replaces IAS 31 and IAS 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.

(8) *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 present those requirements in a single IFRS. The standard is effective for annual periods beginning on or after 1 January 2013.

(9) *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.

(10) *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.

(11) *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.

(12) *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.

(13) *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.

(14) *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.

(15) *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.

(16) *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.

(17) *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 and applicable to annual periods beginning on or after 1 January 2015. The Company will adopt the amendment of *IAS 19 "Employee Benefits"* after 1 January 2015. As of 31 December 2014 and 1 January 2014, the retrospective adjustment resulted in a decrease of deferred tax assets by NT$944 thousands and NT$588 thousands, a decrease of provisions by NT$5,555 thousands and NT$3,456 thousands, a decrease of retained earnings by NT$393 and NT$410, and an increase of other equity by NT$5,004 thousands and NT$3,278 thousands, respectively. Apart from the abovementioned affect, the Company is still currently determining the potential impact of the standards and interpretations mentioned above.

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

(1) *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.

(2) *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.

(3) *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.

(4) *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.

(5) *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 add 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.

(6) *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.

(7) *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.

(8) *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 scombinations 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.

(9) *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.

(10) *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.

(11) *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.

(12) *IFRS 9"Financial Instruments"*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected crdit 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.

(13) *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.

(14) *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.

(15) *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.

(16) *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.

(17) *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 Company's financial statements, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations .

Ⅳ. Summary of significant accounting policies

1. Statement of compliance

The financial statements of the Company for the years ended 31 December 2014 and 2013 have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and relevant interpretations and interpretative bulletins recognized by FSC.

2. Basis of preparation

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

3. Current and non-current distinction

An asset is classified as current when:

(1) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

(2) The Company holds the asset primarily for the purpose of trading

(3) The Company expects to realize the asset within twelve months after the reporting period

(4) 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:

(1) The Company expects to settle the liability in its normal operating cycle

(2) The Company holds the liability primarily for the purpose of trading

(3) The liability is due to be settled within twelve months after the reporting period

(4) The Company 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.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments (including within twelve months' time deposits) that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

5. Financial instruments

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

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

(1) Financial assets

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

Financial assets of the Company 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 Company 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:

(A) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(B) 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; or
(C) 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:

(A) it eliminates or significantly reduces a measurement or recognitoin inconsistency; or
(B) a group of financial assets, financial liabilities or both are 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 sheets and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

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 sheets 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 Company 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.

Loans and receivables

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

Loans and receivables are separately presented on the balance sheets 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 Company 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, 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:

(A) significant financial difficulty of the issuer or obligor; or
(B) a breach of contract, such as a default or delinquency in interest or principal payments; or
(C) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(D) 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 Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company 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:

(A) The rights to receive cash flows from the asset have expired
(B) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(C) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(2) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets 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.

(3) 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.

6. Investments accounted for using the equity method

The Company'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 Company has significant influence.

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

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company 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.

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

7. Property and equipment

Property 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 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 and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Computer equipment	3 - 6 years
Office equipment	5 - 10 years
Leasehold improvements	The shorter of lease terms or economic useful lives

An item of property 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.

8. Intangible assets

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

9. Impairment of non-financial assets

The Company 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 Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value in use and is determined for an individual asset, 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 Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. 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.

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

10. Recognition of revenue

The Company's operating income are mainly from the management fees and sale service fees. The Company receives management fees resulting from managing the trust funds. Sale service fees are collected when investors subscribe the securities investment trust funds under the Company's management. Operating income are recognized on an accrual basis.

11. Post-employment benefits

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.

For the defined benefit plan that is classified as a defined benefit plan uses the Projectd United Credits Methods to measure its obligations and costs based on actuarial assumptions. The Company recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings.

12. Income taxes

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 tax

Deferred 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 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and 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.

Cathay Financial Holding Co., Ltd. has adopted the consolidated income tax return for income tax filings with its qualified subsidiaries, including the Company.

Ⅴ. Significant accounting judgements, estimates and assumptions

The preparation of the Company's 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 Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

The classification of financial assets

The management must make judgement for the classification of financial assets which would affect the method of accounting and the financial position and the result of operation of the Company.

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.

(1) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(2) Income tax

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.

(3) 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.

Ⅵ. Contents of significant accounts

1. Cash and cash equivalents

	2014.12.31	2013.12.31
Cash on hand	$104	$-
Demand deposits	14,128	1,786
Check deposits	10,620	22,202
Time deposits	1,573,039	1,371,250
Securities purchased under agreements to resell	145,023	160,000
Total	$1,742,914	$1,555,238

Time deposits that are within twelve months' readily convertible to known amounts of cash and be subjected to an insignificant risk of changes in value.

2. Financial assets

(1) Available-for-sale financial assets – non-current

	2014.12.31	2013.12.31
Beneficiary certificates－open-end funds	$126,726	$143,232

(2) Investment in debt securities with no active market – non-current

	2014.12.31	2013.12.31
Time deposits	$-	$2,500

No financial assets was pledged.

3. Investments accounted for using the equity method

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

	31 December 2014	
Investees	Carrying amount	Percentage of ownership (%)
Investments in associates		
CDBS Cathay Asset Management Co., Ltd.	$279,825	33.3%

	31 December 2013	
Investees	Carrying amount	Percentage of ownership (%)
Investments in associates		
CDBS Cathay Asset Management Co., Ltd.	$298,036	33.3%

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

	2014.12.31	2013.12.31
Total assets (100%)	$870,930	$937,436
Total liabilities (100%)	30,616	42,432

	For the years ended 31 December	
	2014	2013
Revenue (100%)	$29,410	$10,237
Profit (loss) (100%)	(74,693)	(92,881)

(1) The Company acquired 33.3% shareholding of CDBS Cathay Asset Management Co., Ltd. for CNY 66,600 thousands in August 2013. The reinvestment has approved by the Investment Commission, Ministry of Economic Affairs.

(2) The shares of the associates that the Company invested in are not publicly traded and the associates are not significantly restricted in term of ability to transfer funds to the investors in the form of cash dividends, repayment of loans or advances.

(3) No investment in associates was pledged.

4. Property and equipment

	Computer equipment	Office equipment	Leasehold improvements	Total
Cost:				
2014.1.1	$23,496	$7,479	$27,673	$58,648
Additions	3,019	165	509	3,693
Disposals	(1,237)	(5)	-	(1,242)
2014.12.31	$25,278	$7,639	$28,182	$61,099
2013.1.1	$20,016	$5,985	$25,666	$51,667
Additions	3,918	1,090	2,007	7,015
Disposals	(34)	-	-	(34)
Transfers	(404)	404	-	-
2013.12.31	$23,496	$7,479	$27,673	$58,648
Depreciation and impairment:				
2014.1.1	$(12,659)	$(3,728)	$(23,795)	$(40,182)
Depreciation	(2,709)	(824)	(2,874)	(6,407)
Disposals	1,184	5	-	1,189
2014.12.31	$(14,184)	$(4,547)	$(26,669)	$(45,400)
2013.1.1	$(10,845)	$(2,741)	$(18,129)	$(31,715)
Depreciation	(2,146)	(688)	(5,666)	(8,500)
Disposals	33	-	-	33
Transfers	299	(299)	-	-
2013.12.31	$(12,659)	$(3,728)	$(23,795)	$(40,182)
Net carrying amount as at:				
2014.12.31	$11,094	$3,092	$1,513	$15,699
2013.12.31	$10,837	$3,751	$3,878	$18,466

No property and equipment was pledged.

5. Intangible assets

	2014.1.1	Addition-acquired separately	Amortization	2014.12.31
Computer software				
Cost	$43,133	$6,662	$-	$49,795
Amortization and impairment	(27,942)	-	(9,187)	(37,129)
Net carrying amount	$15,191	$6,662	$(9,187)	$12,666

	2013.1.1	Addition-acquired separately	Amortization	2013.12.31
Computer software				
Cost	$30,915	$12,218	$-	$43,133
Amortization and impairment	(20,440)	-	(7,502)	(27,942)
Net carrying amount	$10,475	$12,218	$(7,502)	$15,191

6. Refundable deposits

	2014.12.31	2013.12.31
Lease deposits	$9,538	$9,539
Security deposits (Note1)	179,570	160,100
Operating deposits (Note2)	50,000	50,000
Total	$239,108	$219,639

Note 1: Security deposits are used as collaterals in certain discretionary contracts.

Note 2: Operating deposits are aiming to operate the futures trust business and discretionary investment in according to “Standards Governing the Establishment of Futures Trust Enterprises” and “Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises”.

7. Deferred expenses and income

On 6 August 2014, 24 October 2013 and 26 October 2012, the Company organized investment trust funds, and received fund management fees incomes of the contract amounted to $170,631 thousands (calculated by raised scale accordingly) and paid distributors $102,644 thousands for sales costs, which were recognized as deferred income and expenses, respectively. The Company offered management service, in accordance with the contract and transferred deferred income and expenses to management fees income and operating expenses over time.

For the year ended 31 December 2014, prepayments which will be transferred to expenses in one year and other non-current assets which will be transferred to expenses one year later are amounted to $14,139 thousands and $67,710 thousands, respectively. Deferred income which will be transferred to revenue in one year and long-term deferred income which will be transferred to revenue one year later are amounted to $23,502 thousands and $112,608 thousands, respectively. The amounts that have been transferred to management fees income and operating expenses amounted to $19,918 thousands and $11,989 thousands, respectively.

For the year ended 31 December 2013, prepayments which will be transferred to expenses in one year and other non-current assets which will be transferred to expenses one year later are amounted to $10,529 thousands and $58,037 thousands, respectively. Deferred income which will be transferred to revenue in one year and long-term deferred income which will be transferred to revenue one year later are amounted to $17,484 thousands and $96,424 thousands, respectively. The amounts that have been transferred to management fees income and operating expenses amounted to $12,520 thousands and $7,550 thousands, respectively.

8. Post-employment benefits

Defined contribution plan

Operating expenses under the defined contribution plan for the years ended 31 December 2014 and 2013 are $11,860 thousands and $11,005 thousands, respectively.

Defined benefits plan

The following tables summarize the components of the benefit expense recognized in profit or loss:

	For the years ended 31 December	
	2014	2013
Current service costs	$2,031	$1,807
Interest cost	1,371	1,259
Expected return on plan assets	(309)	(283)
Actuarial gain	21	(458)
Other	4	369
Total	$3,118	$2,694

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

	For the years ended 31 December	
	2014	2013
Operating expenses	$3,118	$2,694

Reconciliations of asset of the defined benefit plan are as follows:

	2014.12.31	2013.12.31
Defined benefit obligation	$(69,913)	$(68,557)
Plan assets at fair value	16,912	15,459
Funded status	(53,001)	(53,098)
Unrecognized past service cost	(5,556)	(3,456)
Accrued pension liabilities recognized on the balance sheets	$(58,557)	$(56,554)

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

	2014	2013
Defined benefit obligation at 1 January	$(68,557)	$(71,944)
Current service cost	(2,031)	(1,807)
Interest cost	(1,371)	(1,259)
Actuarial gains	2,046	6,453
Defined benefit obligation at 31 December	$(69,913)	$(68,557)

Changes in fair value of plan assets are as follows:

	2014	2013
Plan assets, at fair value at 1 January	$15,459	$14,184
Expected return on plan assets	309	283
Contributions by employer	1,111	1,099
Actuarial gains (losses)	33	(107)
Plan assets, at fair value at 31 December	$16,912	$15,459

The Company expects to contribute $2,656 thousands to its defined benefit plan during the 12 months beginning after 31 December 2014.

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

	Pension plan (%) as at	
	2014.12.31	2013.12.31
Cash	23.13	25.18
Equity instruments	45.76	39.80
Debt instruments	28.40	33.98
Others	2.71	1.04

Actual return on plan assets amounted to $309 thousands and $175 thousands were recognized for the years ended 31 December 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-years 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 Company's defined benefit plan are shown below:

	2014.12.31	2013.12.31
Discount rate	2.25%	2.00%
Expected rate of return on plan assets	2.25%	2.00%
Expected rate of salary increases	2.00%	2.00%

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

	2014		2013	
	Discount rate Increase By 0.5%	Discount rate Decrease By 0.5%	Discount rate Increase By 0.5%	Discount rate Decrease By 0.5%
Effect on the defined benefit obligation	$(4,722)	$5,223	$(5,015)	$5,568

Other information on the defined benefit plan are as follows:

	2014	2013	2012
Defined benefit obligation at present value	$(69,913)	$(68,557)	$(71,944)
Plan assets at fair value	16,912	15,459	14,184
Deficit in plan	$(53,001)	$(53,098)	$(57,760)
Experience adjustments on plan liabilities	$1,527	$297	$3,982
Experience adjustments on plan assets	$33	$(107)	$-

9. Equity

(1) Common Stock

As of 31 December 2014 and 31 December 2013, the authorized and issued capital of the Company were $1,500,000 thousands at par value of $10 divided into 150,000 thousand shares.

(2) Capital reserves

As of 31 December 2014 and 31 December 2013, capital surplus of the Company were $13,908.

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.

(3) Legal reserves

According to the Company Act, 10% of the Company's after-tax net income in the current year must be appropriated to legal reserve unless where such legal reserve amounts to the total authorized capital. This legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve 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 shareholders.

(4) Special reserves

According to the Rules Governing Future Trust Enterprises, the Company shall appropriate 20% of the current year after income tax earnings as special reserve. Once the special reserve reaches the paid-in capital, it shall not be appropriated.

(5) Retained earnings

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve and appropriate in specific ratio of special reserve. The remaining earnings should be appropriated in accordance with the board meetings, the Company shall appropriate 1% as employees' bonus and remaining amount with prior years' accumulated undistributed earnings use as retained earnings and if any, shall appropriate as special reserve for business need.

The Company estimated the amounts of the employee bonus for the years ended 31 December 2014 and 2013 were $2,903 thousands and $2,419 thousands, respectively. The estimates were based on the Company's Articles of Incorporation of 1% appropriated as employees' bonus and were recognized as operating expense for the period. The difference between the estimation and the resolution of shareholder's meeting were recognized in profit or loss in the next year.

10. Operating income

	2014	2013
Management fees income	$1,345,022	$1,243,793
Sales service fees income	4,922	4,675
Total	$1,349,944	$1,248,468

11. Operating expenses

	2014	2013
Personnel expenses		
Salary	$423,328	$361,812
Insurance	26,280	22,897
Pension	14,978	13,699
Other employee benefits	7,984	7,766
Depreciation	6,407	8,500
Amortization	9,187	7,502

12. Components of other comprehensive income

For the year ended 31 December 2014

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to component of comprehensive income	Other comprehensive income, net of tax
Unrealized gains (losses) from available-for-sale financial assets	$8,035	$(14,550)	$(6,515)	$-	$(6,515)
Share of other comprehensive income of associate accounted for using the equity method	8,410	-	8,410	-	8,410
Total of other comprehensive income	$16,445	$(14,550)	$1,895	$-	$1,895

For the year ended 31 December 2013

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to component of comprehensive income	Other comprehensive income, net of tax
Unrealized gains from available-for-sale financial assets	$16,116	$(6,293)	$9,823	$-	$9,823
Share of other comprehensive income of associate accounted for using the equity method	5,173	-	5,173	-	5,173
Total of other comprehensive income	$21,289	$(6,293)	$14,996	$-	$14,996

13. Income tax

(1) The major components of income tax expense are as follows:

	For the year ended 31 December	
	2014	2013
Income tax expense recognized in profit or loss		
Current income tax expense:		
Current income tax charge	$72,471	$60,391
Adjustments in respect of current income tax of prior periods	1,184	(321)
Deferred tax income:		
Deferred tax income relating to origination and reversal of temporary differences	1,606	(208)
Income tax expense	$75,261	$59,862

(2) A reconciliation between tax expense and the product accounting profit multiplied by applicable tax rates is as follows:

	For the year ended 31 December	
	2014	2013
Accounting profit before tax from continuing operations	$420,991	$329,378
Tax at the domestic rates applicable to profits in the country concerned (17%)	$71,569	$55,994
Adjustments in respect of current income tax of prior periods	1,184	(321)
Tax effect of deferred tax assets/liabilities	4,525	5,259
Tax effect of revenue exempt from taxation	(2,474)	(1,070)
Tax effect of expenses not deductible for tax purposes	457	-
Total income tax expense recognized in profit or loss	$75,261	$59,862

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

For the year ended 31 December 2014

	Beginning balance as at 1 January 2014	Deferred tax income recognized in profit or loss	Deferred tax income recognized in other comprehensive income	Ending balance as at 31 December 2014
Temporary differences				
Pension	$9,614	$341	$-	$9,955
Unrecognized gains on foreign currency exchange	-	(1,947)	-	(1,947)
Deferred tax income		$(1,606)	$-	
Net deferred tax assets	$9,614			$8,008
Reflected in balance sheets as follows:				
Deferred tax assets	$9,614			$9,955
Deferred tax liabilities	$-			$(1,947)

For the year ended 31 December 2013

	Beginning balance as at 1 January 2013	Deferred tax income recognized in profit or loss	Deferred tax income recognized in other comprehensive income	Ending balance as at 31 December 2013
Temporary differences				
Pension	$9,406	$208	$-	$9,614
Deferred tax income		$208	$-	
Net deferred tax assets	$9,406			$9,614
Reflected in balance sheets as follows:				
Deferred tax assets	$9,406			$9,614
Deferred tax liabilities	$-			$-

(4) Imputation credit account:

	2014.12.31	2013.12.31
Balance of imputation credit amounts	$827	$-

The estimated and actual creditable ratio for 2014 and 2013 were 0.24% and 4.2657%, respectively.

Components of undistributed earnings:

	2014.12.31	2013.12.31
After 1998	$345,730	$233,656

(5) The assessment of income tax returns

As of 31 December 2014, the Company's income tax returns for the years prior to 2011 have been assessed by tax authority.

14. Earnings per share

Basic earnings per share 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.

The Company does not issue any dilutive potential ordinary shares. Therefore, the Company does not need to adjust diluted earnings per share.

	2014	2013
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$345,730	$269,516
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	150,000	150,000
Basic earnings per share (NT$)	$2.30	$1.80

Ⅶ. Related party transactions

1. Cash in bank

The Company's deposits and related interest income and interest receivable in Cathay United Bank Co., Ltd are as follows:

	2014.12.31	2013.12.31
Other related parties		
Cathay United Bank Co., Ltd.		
Cash in bank	$121,523	$134,718
Refundable deposits	$176,100	$210,100
Interest income (accounted as non-operating income and expenses)	$3,975	$7,801

2. Management fees income and accounts receivable

Management fees income

	For the years ended 31 December			
	2014		2013	
Related parties	Amounts	%	Amounts	%
Other related parties				
Cathay Cathay Fund	$48,007	4	$48,576	4
Cathay Taiwan Money Market Fund	45,533	3	60,373	5
Cathay Small & Medium Cap Fund	65,824	5	79,424	6
Cathay Assets Allocation Neutral Fund	6,417	1	7,287	1
Cathay Greater China Fund	111,039	8	126,282	10
Cathay Technology Fund	37,548	3	40,505	3
Cathay Dragon Fund	125,412	9	129,951	10
Cathay Global Aggressive Fund of Funds	9,449	1	9,610	1
Cathay Global Balance Fund of Funds	1,789	-	2,070	-
Cathay RMB Money Market Fund	9,717	1	1,078	-
Cathay Emerging China Bond Fund	53,225	4	4,800	1
Cathay Global Money Market Fund	-	-	270	-
Cathay Global Infrastructure Fund	28,883	2	35,158	3
Cathay Taiwan Quantitative Fund	3,207	-	4,645	-
Cathay Global Ecology Fund	8,102	1	10,295	1
Cathay Man AHL Futures Trust Fund of Funds	5,295	-	7,730	1
Cathay Mandarin Fund	44,742	3	47,033	4
Cathay High Income Fund of Funds	16,252	1	17,709	1
Cathay Emerging Markets Fund	12,907	1	17,769	1
Cathay Global Resources Fund	18,318	1	25,925	2
Cathay China Domestic Demand Growth Fund	43,579	3	27,561	2
Cathay Emerging Market High Yield Fund	131,934	10	126,771	10
Cathay China Emerging Industries Fund	108,576	8	45,039	4
Cathay Value and Superior Fund	19,483	2	14,557	1
Cathay New Zealand Dollar Principal Protected Fund	11,367	1	11,367	1
Cathay Multi-Strategy High Yield Bond Fund	24,425	2	88,973	7
Cathay Non-Finance Non-Electronics Sub-Index Fund	1,507	-	140	-
Cathay New Zealand Dollar 8-Years Principle Protected Fund	6,118	-	1,154	-
Cathay Global Fortune Money Market Fund	631	-	-	-
Cathay High-Tech Fund	4,709	-	-	-
Cathay Global Multiple Income Balanced Fund	17,732	1	-	-
Cathay New Zealand Dollar 2021 Principal Protected Fund	2,434	-	-	-
Cathay Asian Growth Fund	3,484	1	-	-
Discretionary Investment Account-Cathay Life Insurance Co., Ltd.	173,806	13	134,493	11
Discretionary Investment Account-Cathay Century Insurance Co., Ltd.	1,986	-	91	-
Discretionary Investment Account-Cathay Charity Foundation	200	-	297	-
Discretionary Investment Account- Cathay Cultural Foundation	9	-	-	-
Total	$1,203,646	89	$1,126,933	90

Accounts receivable resulting from management fees income to related parties as of 31 December 2014 and 2013 are summarized as follows:

	2014.12.31		2013.12.31	
Related parties	Amounts	%	Amounts	%
Other related parties				
Cathay Cathay Fund	$5,341	5	$3,844	4
Cathay Taiwan Money Market Fund	4,014	4	3,596	3
Cathay Small & Medium Cap Fund	5,665	5	6,070	6
Cathay Assets Allocation Neutral Fund	531	1	543	-
Cathay Greater China Fund	8,817	8	10,091	9
Cathay Technology Fund	3,258	3	3,208	3
Cathay Dragon Fund	10,493	9	10,447	10
Cathay Global Aggressive Fund of Funds	753	1	794	-
Cathay Global Balance Fund of Funds	148	-	155	-
Cathay Global Infrastructure Fund	2,149	2	2,737	3
Cathay Taiwan Quantitative Fund	253	-	323	-
Cathay Global Ecology Fund	599	1	702	1
Cathay Man AHL Futures Trust Fund of Funds	312	-	541	-
Cathay Mandarin Fund	3,721	3	3,991	4
Cathay High Income Fund of Funds	1,309	1	1,240	1
Cathay Emerging Markets Fund	969	1	1,242	1
Cathay Global Resources Fund	1,296	1	1,754	2
Cathay China Domestic Demand Growth Fund	3,926	3	3,008	3
Cathay Emerging Market High Yield Fund	10,560	9	11,157	10
Cathay China Emerging Industries Fund	9,143	8	7,296	7
Cathay Value and Superior Fund	1,551	1	1,483	1
Cathay Multi-Strategy High Yield Bond Fund	1,330	1	4,226	4
Cathay Non-Finance Non-Electronics Sub-Index Fund	128	-	128	-
Cathay RMB Money Market Fund	519	-	1,078	1
Cathay Emerging China Bond Fund	5,437	5	4,800	4
Cathay Global Fortune Money Market Fund	56	-	-	-
Cathay High-Tech Fund	497	-	-	-
Cathay Global Multiple Income Balanced Fund	2,354	2	-	-
Cathay Asian Growth Fund	3,484	3	-	-
Discretionary Investment Account-Cathay Life Insurance Co., Ltd.	15,336	13	12,754	12
Discretionary Investment Account-Cathay Charity Foundation	140	-	91	-
Discretionary Investment Account-Cathay Charity Foundation	21	-	25	-
Total	$104,110	90	$97,324	89

3. Rental expense and refundable deposits

Details of rental expense of the office and car leased from related parties were as follows:

	For the years ended 31 December	
	2014	2013
Other related parties		
Cathay Life Insurance Co., Ltd.	$40,820	$40,080

Refundable deposits of the office premises from Cathay Life Insurance Co., Ltd. were both $9,270 thousands as of 31 December 2014 and 2013.

4. Available-for-sale financial assets

	2014.12.31	
Related parties	Account balance	Unit
Other related parties		
Cathay Small & Medium Cap Fund	$7,870	211,909.3
Cathay Greater China Fund	25,606	1,388,607.0
Cathay Dragon Fund	3,074	227,905.5
Cathay Value and Superior Fund	19,816	1,608,450.2
Cathay Mandarin Fund	11,492	1,014,269.0
Cathay China Domestic Demand Growth Fund	17,763	1,344,696.9
Cathay China Emerging Industries Fund	17,801	1,151,392.3
Cathay RMB Money Market Fund	17,164	326,664.9
Cathay High-Tech Fund	3,082	342,449.1
Cathay Cathay Fund	3,058	173,146.5
Total	$126,726	7,789,490.7

	2013.12.31	
Related parties	Account balance	Unit
Other related parties		
Cathay High Income Fund of Funds	$20,534	1,807,092.8
Cathay Small & Medium Cap Fund	18,422	546,004.9
Cathay Greater China Fund	40,141	2,039,693.7
Cathay Dragon Fund	32,649	2,645,780.0
Cathay Value and Superior Fund	10,303	761,503.9
Cathay Mandarin Fund	8,723	887,347.5
Cathay China Domestic Demand Growth Fund	6,051	471,602.4
Cathay China Emerging Industries Fund	6,409	416,735.5
Total	$143,232	9,575,760.7

5. Securities sold under agreements to resell

Related parties	2013 Maximum balance	December 31, Account balance	Interest Rate (%)	Interest income
Other related parities				
Cathay United Bank Co., Ltd.	$1,475,128	$-	0.52~0.55	$797

6. Prepaid expenses (Note 1)

Related parties	2014.12.31	2013.12.31
Other related parities		
Cathay Life Insurance Co., Ltd.	$13,272	$9,662

7. Other non-current assets-other (Note 1)

Related parties	2014.12.31	2013.12.31
Other related parities		
Cathay Life Insurance Co., Ltd.	$64,401	$53,861

8. Other payables

Related parties	2014.12.31	2013.12.31
Parent Company		
Cathay Financial Holding Co., Ltd. (Note2)	$70,778	$58,705
Other related parities		
Cathay Life Insurance Co., Ltd.	23,758	24,192
Cathay Conning Asset Management Limited	3,925	-
Total	$98,461	$82,897

9. Operating Expenses

Related parties	Transaction types	2014	2013
Other related parities			
Cathay United Bank Co., Ltd	Selling expenses	$35,047	$31,185
Cathay Life Insurance Co., Ltd. (Note1)	Selling expenses and advertising expenses	145,105	143,054
Cathay Securities Investment Consulting Co., Ltd.	Consulting expenses	316	10,920
Symphox Information Co., Ltd.	Selling expenses	5,955	7,289
Cathay Conning Asset Management Limited	Consulting expenses	7,093	-
Total		$193,516	$192,448

10. Key management personnel compensation

	2014	2013
Short-term employee benefit	$49,582	$36,442

Note 1: The Company paid sales cost of fund and recognized as deferred expenses; however, Cathay Life Insurance Co., Ltd. recognized as current revenue when transaction occurred. Therefore, the Company still have related assets yet to recognized as expenses.

Note 2: Payables for allocation of linked-tax system.

Ⅷ. Assets pledged as security

None.

Ⅸ. Commitments and contingencies

Operating lease commitments－The Company as leasee

The Company has entered into commercial property leases between three to five years. Future minimum rentals payable under non-cancellable operating leases as at 31 December 2014 and 2013 are as follows:

Related parties	2014.12.31	2013.12.31
Not later than one year	$22,611	$41,948
Later than one year and not later than five years	2,624	21,887
Total	$25,235	$63,835

Ⅹ. Losses due to major disasters

None.

XI. Significant subsequent events

None.

XII. Others

1. Categories of financial instruments

Financial assets

	2014.12.31	2013.12.31
Available-for-sale financial assets	$126,726	$143,232
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	1,742,914	1,555,238
Investments in debt securities with no active market	-	2,500
Receivables	118,602	109,649
Subtotal	1,861,516	1,667,387
Total	$1,988,242	$1,810,619

Financial liabilities

	2014.12.31	2013.12.31
Financial liabilities at amortized cost:		
Payables	$262,136	$240,250

2. Financial risk management objectives and policies

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

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

3. Market risk

Market risk is the risk that the fair value of 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 (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, 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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. There are no significant effect to the Company's net income of 2014 and 2013, when NTD strengthens/weakens against foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed income investments.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including fixed income investments. There are no significant effect to the Company's net income of 2014 and 2013, when a change of interest rate in a reporting period.

4. Credit risk management

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

As of 31 December 2014 and 2013, amounts receivables from top ten customers represent 69.70% and 68.65% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

5. Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and highly liquid equity investments.

As of 31 December 2014 and 2013, debts of the Company are mature within a year. The Company does not have any financial liabilities based on the contractual payment.

6. Fair values of financial instruments

(1) 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:

(A) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable approximate their fair value.

(B) 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.

(C) 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.

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

(2) Fair value of financial instruments measured at amortized cost

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

(3) 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.

2014.12.31

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Beneficiary certificates-open-end funds	$126,726	$-	$-	$126,726

2013.12.31

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Beneficiary certificates-open-end funds	$143,232	$-	$-	$143,232

During the years 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

7. Capital management

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

8. Information regarding investment in Mainland China

On 9 January 2012, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit CNY66,600 thousands as the registered capital to establish CDBS Cathay Asset Management Co., Ltd., a China-based fund management business, in the form of a joint venture with China Development Bank Securities Co., Ltd. The joint venture company has acquired a business license of an enterprise as legal person on 16 August 2013 with an authorized capital of CNY 200,000 thousands and the Company acquired 33.3% shareholding.

XII. Segment information

1. General information

(1) The Company's operating segment report consists with the internal report to primary operating decision makers. The primary operating decision makers means an individual or a team that assign resource to the operating segment and evaluate the performance of the operating segment. The Company's Board of directors are the primary operating decision makers.

(2) The Company's Board of directors (primary operating decision makers) reviewed the operating results of the operating segment periodically and make decisions about resource allocation and performance assessment.

2. Evaluation of segment information

(1) The Company operates under a single business strategy. The Company's Board of directors makes decisions based on resource allocation and performance assessment of the Company as a whole, the Company has only one reportable operating segment.

(2) Operating results of the Company's operating segment are mainly from management fees income. The Company's Board of directors evaluates the performance based on net income before and after income tax.

(3) The Company has only one reportable segment and not to disclose the information of segment profit, assets and liabilities.

3. Geographical information

Revenue from external customers is allocated to the Republic of China.