

**GEM Terminal Ind. Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2013 and 2012 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2013 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 “Consolidated and Separate Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

GEM Terminal Ind. Co., Ltd.

By

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Su, Chung - Hong  
Chairman of the board

March 26, 2014

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
GEM Terminal Ind. Co., Ltd.

We have audited the accompanying consolidated balance sheets of GEM Terminal Ind. Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of the Group as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified opinion.

March 26, 2014

### Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012		LIABILITIES AND EQUITY	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Notes 6 and 23)	\$ 1,684,855	28	\$ 2,504,000	39	\$ 1,522,013	28	Short-term borrowings (Notes 14, 23 and 25)	\$ 654,451	11	\$ 1,386,144	22	\$ 709,269	13
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 23)	12,292	-	110,404	2	37,395	1	Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 23)	314	-	-	-	1,499	-
Available-for-sale financial assets - current (Notes 4, 8 and 23)	42,950	1	28,012	1	27,620	-	Notes payable (Notes 15 and 23)	93,220	2	21,412	-	31,039	1
Debt investments with no active market - current (Notes 9, 23 and 25)	110,618	2	219,089	3	23,356	-	Accounts payable (Notes 15 and 23)	355,216	6	431,829	7	335,212	6
Notes receivable (Notes 10 and 23)	238,907	4	171,259	3	146,019	3	Other payables (Notes 16 and 23)	194,721	3	175,949	3	217,333	4
Accounts receivable, net (Notes 10 and 23)	1,105,315	19	1,040,107	16	1,252,464	23	Current tax liabilities (Note 4)	5,245	-	9,841	-	25,315	-
Tax refundable	1,481	-	2,285	-	15,551	-	Provisions - current (Note 4)	932	-	35	-	-	-
Other receivables (Note 23)	10,542	-	22,196	-	19,625	-	Long-term borrowings - current portion (Notes 14, 23 and 25)	570,833	10	706,490	11	365,074	7
Current tax assets (Note 4)	3,283	-	2,185	-	-	-	Other current liabilities	3,832	-	2,890	-	4,350	-
Inventories (Notes 4 and 11)	590,151	10	438,841	7	512,766	9	Total current liabilities	1,878,764	32	2,734,590	43	1,689,091	31
Other financial assets - current (Notes 4 and 23)	15,554	-	1,807	-	33,436	1	<b>NONCURRENT LIABILITIES</b>						
Other current assets (Notes 13 and 25)	95,162	2	75,571	1	82,542	2	Long-term borrowings (Notes 14, 23 and 25)	984,566	17	720,833	11	702,465	13
Total current assets	3,911,110	66	4,615,756	72	3,672,787	67	Accrued pension liabilities (Notes 4 and 17)	85,094	1	85,458	1	85,389	1
<b>NONCURRENT ASSETS</b>							Deferred income tax liabilities (Notes 4 and 20)	73,048	1	70,432	1	61,008	1
Property, plant and equipment (Notes 4, 12, 25 and 26)	1,708,371	29	1,561,761	25	1,633,152	30	Total noncurrent liabilities	1,142,708	19	876,723	13	848,862	15
Deferred income tax assets (Notes 4 and 20)	59,449	1	53,397	1	44,932	1	Total liabilities	3,021,472	51	3,611,313	56	2,537,953	46
Prepayments for equipment (Note 26)	189,398	3	83,427	1	30,526	1	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Refundable deposits - noncurrent (Notes 4 and 23)	1,831	-	1,732	-	2,895	-	(Note 18)						
Long-term prepaid rent (Notes 13 and 25)	72,747	1	67,034	1	78,627	1	Capital stock	1,715,980	29	1,715,980	27	1,715,980	31
Other noncurrent assets (Note 10)	7,979	-	8,757	-	10,619	-	Capital surplus	270,187	5	270,187	4	270,187	5
Total noncurrent assets	2,039,775	34	1,776,108	28	1,800,751	33	Retained earnings	673,334	11	698,084	11	748,509	14
							Others	269,912	4	96,300	2	200,909	4
<b>TOTAL</b>	<b>\$ 5,950,885</b>	<b>100</b>	<b>\$ 6,391,864</b>	<b>100</b>	<b>\$ 5,473,538</b>	<b>100</b>	Total equity	2,929,413	49	2,780,551	44	2,935,585	54
							<b>TOTAL</b>	<b>\$ 5,950,885</b>	<b>100</b>	<b>\$ 6,391,864</b>	<b>100</b>	<b>\$ 5,473,538</b>	<b>100</b>

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

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2013		2012	
	Amount	%	Amount	%
GROSS OPERATING REVENUE (Note 4)	\$ 4,022,257	100	\$ 3,919,279	100
LESS: SALES RETURNS	144	-	259	-
SALES ALLOWANCES	67	-	147	-
OPERATING REVENUE, NET	4,022,046	100	3,918,873	100
OPERATING COSTS (Notes 4, 11, 17, 19 and 24)	3,564,142	88	3,331,199	85
GROSS PROFIT	457,904	12	587,674	15
OPERATING EXPENSES (Notes 4, 17, 19 and 24)				
Marketing	142,177	4	140,361	4
General and administrative	212,894	5	213,860	5
Research and development	42,300	1	42,202	1
Total operating expenses	397,371	10	396,423	10
PROFIT FROM OPERATIONS	60,533	2	191,251	5
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7 and 19)				
Other income	39,899	1	32,036	1
Other gains and losses	(11,681)	-	(20,156)	(1)
Finance costs	(66,094)	(2)	(55,149)	(1)
Total non-operating income and expenses	(37,876)	(1)	(43,269)	(1)
CONSOLIDATED INCOME BEFORE INCOME TAX	22,657	1	147,982	4
INCOME TAX EXPENSE (Notes 4 and 20)	7,939	-	61,129	2
CONSOLIDATED NET INCOME	14,718	1	86,853	2
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 18 and 20)				
Exchange differences on translating foreign operations	175,156	4	(108,926)	(2)
Unrealized gain (loss) on available-for-sale financial assets	(2,003)	-	4,966	-

(Continued)

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2013		2012	
	Amount	%	Amount	%
Income tax benefit (expense) relating to components of other comprehensive income	\$ 459	-	\$ (649)	-
Other comprehensive income (loss) for the year, net of income tax	<u>173,612</u>	<u>4</u>	<u>(104,609)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 188,330</u>	<u>5</u>	<u>\$ (17,756)</u>	<u>-</u>
NET INCOME ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 14,718</u>	<u>-</u>	<u>\$ 86,853</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	<u>\$ 188,330</u>	<u>5</u>	<u>\$ (17,756)</u>	<u>-</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 0.09</u>		<u>\$ 0.51</u>	
Diluted	<u>\$ 0.09</u>		<u>\$ 0.50</u>	

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

(Concluded)

**GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
	Capital Stock - Common Stock		Capital Surplus- Share Issuance in Excess of Par	Retained Earnings			Other Equity		Total	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Total	Unrealized Gain (Loss) on Available -for-sale Financial Assets	Exchange Differences on Translating Foreign Operations		
BALANCE, JANUARY 1, 2012	171,598	\$ 1,715,980	\$ 270,187	\$ 301,382	\$ 447,127	\$ 748,509	\$ (1,996)	\$ 202,905	\$ 200,909	\$ 2,935,585
Appropriation of 2011 earnings (Note 18)										
Legal reserve	-	-	-	18,530	(18,530)	-	-	-	-	-
Cash dividends to stockholders	-	-	-	-	(137,278)	(137,278)	-	-	-	(137,278)
	-	-	-	18,530	(155,808)	(137,278)	-	-	-	(137,278)
Net income in 2012	-	-	-	-	86,853	86,853	-	-	-	86,853
Other comprehensive income (loss) in 2012, net of income tax	-	-	-	-	-	-	4,317	(108,926)	(104,609)	(104,609)
Total comprehensive income (loss) in 2012	-	-	-	-	86,853	86,853	4,317	(108,926)	(104,609)	(17,756)
BALANCE, DECEMBER 31, 2012	171,598	1,715,980	270,187	319,912	378,172	698,084	2,321	93,979	96,300	2,780,551
Appropriation of 2012 earnings (Note 18)										
Legal reserve	-	-	-	8,494	(8,494)	-	-	-	-	-
Cash dividends to stockholders	-	-	-	-	(39,468)	(39,468)	-	-	-	(39,468)
	-	-	-	8,494	(47,962)	(39,468)	-	-	-	(39,468)
Net income in 2013	-	-	-	-	14,718	14,718	-	-	-	14,718
Other comprehensive income (loss) in 2013, net of income tax	-	-	-	-	-	-	(1,544)	175,156	173,612	173,612
Total comprehensive income (loss) in 2013	-	-	-	-	14,718	14,718	(1,544)	175,156	173,612	188,330
BALANCE, DECEMBER 31, 2013	171,598	\$ 1,715,980	\$ 270,187	\$ 328,406	\$ 344,928	\$ 673,334	\$ 777	\$ 269,135	\$ 269,912	\$ 2,929,413

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

# GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated income before income tax	\$ 22,657	\$ 147,982
Adjustments for:		
Depreciation expense	217,780	199,264
Amortization expense	5,060	4,699
Allowance (reversal of allowance) for doubtful accounts	4,015	(1,882)
Valuation loss (gain) on financial instruments at fair value through profit or loss, net	2,521	(311)
Finance costs	66,094	55,149
Interest income	(34,972)	(27,132)
Dividend income	(1,637)	(198)
Loss on disposal of property, plant and equipment	4,663	2,247
Loss (gain) on sale of investments, net	(14,423)	988
Net loss on foreign currency exchange	1	726
Recognition of provisions	897	35
Other non-cash items	12,633	11,683
Changes in operating assets and liabilities		
Financial assets held for trading	109,504	(85,439)
Notes receivable	(67,648)	(25,240)
Accounts receivable	(69,689)	214,597
Other receivables and tax refundable	12,458	9,123
Inventories	(152,713)	74,596
Other current assets	(32,435)	1,623
Financial liabilities held for trading	(5,592)	(667)
Notes payable	71,808	(9,627)
Accounts payable	(76,613)	96,617
Other payables	(5,389)	(38,946)
Other current liabilities	942	(1,461)
Accrued pension liabilities	(364)	69
Cash generated from operations	<u>69,558</u>	<u>628,495</u>
Interest received	35,089	22,115
Income tax paid	<u>(16,610)</u>	<u>(78,478)</u>
Net cash generated from operating activities	<u>88,037</u>	<u>572,132</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated as at fair value through profit and loss	(8,763)	(759)
Proceeds from disposal of financial assets designated as at fair value through profit and loss	756	12,633
Acquisition of available-for-sale financial assets	(646,415)	(44,910)
Proceeds from disposal of available-for-sale financial assets	643,990	48,172
Acquisition of debt investments with no active market	-	(195,733)
Disposal of debt investment with no active market	108,471	-
Acquisition of property, plant and equipment	(415,518)	(267,110)
Proceeds from disposal of property, plant and equipment	601	741

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# GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2013	2012
Increase in refundable deposits	\$ (13,846)	\$ -
Decrease in refundable deposits	-	32,805
Increase in other noncurrent assets	(6,352)	-
Decrease in other noncurrent assets	-	5,542
Dividend received	<u>1,637</u>	<u>198</u>
Net cash used in investing activities	<u>(335,439)</u>	<u>(408,421)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,450,638	1,436,544
Decrease in short-term borrowings	(2,241,185)	(732,493)
Increase in long-term borrowings	760,000	725,000
Repayment of long-term borrowings	(631,667)	(364,779)
Cash dividend	(39,468)	(137,278)
Interest paid	<u>(68,257)</u>	<u>(54,010)</u>
Net cash generated from (used in) financing activities	<u>(769,939)</u>	<u>872,984</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>198,196</u>	<u>(54,708)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(819,145)	981,987
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,504,000</u>	<u>1,522,013</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,684,855</u>	<u>\$ 2,504,000</u>

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

(Concluded)

# **GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

GEM Terminal Ind. Co., Ltd. (the “Company”) was incorporated in July 1993 under the laws of the Republic of China (ROC). The Company mainly manufactures and sells the following products:

- Series terminals, plug inserts, housing and electronic connectors for AC and DC power cords
- Electric and motor parts terminal
- Electric and communication terminal
- Optical communication passive devices
- Lead frames

The Company’s shares have been listed on the Taiwan Stock Exchange since September 2001.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the board of directors and authorized for issue on March 26, 2014.

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

- a. New and revised standards, amendments and interpretations (the “New IFRSs”) in issue but not yet effective

The Company and entities controlled by the Company (the “Group”) have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the “New IFRSs”) included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

	<b>Effective Date Announced by IASB (Note 1)</b>
<u>The New IFRSs included in the 2013 IFRSs version not yet endorsed by the FSC</u>	
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
<u>The New IFRSs not included in the 2013 IFRSs version</u>	
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Note 3
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Note 3
IFRS 14 "Regulatory Deferral Account"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014

(Continued)

	<u>Effective Date Announced by IASB (Note 1)</u>
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

Note 3: IASB tentatively decided that an entity should apply IFRS 9 for annual periods beginning on or after January 1, 2018.

- b. Significant impending changes in accounting policy resulted from New IFRSs in issue but not yet effective

Except for the following, the initial application of the above New IFRSs has not had any material impact on the Group’s accounting policies:

- 1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Recognition and measurement of financial liabilities

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Group presents all gains or losses on that liability in profit or loss.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities”. The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

c) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

Under revised IAS 28, when an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest. Under current IAS 28, on the loss of joint control, the Group measures at fair value any investment the Group retains in the former jointly controlled entity. The Group recognizes in profit or loss any difference between the aggregate amounts of fair value of retained investment and proceeds from disposing of the part interest in the jointly controlled entity, and the carrying amount of the investment at the date when joint control is lost.

3) IFRS 13 “Fair Value Measurement”

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

4) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

5) Revision to IAS 19 “Employee Benefits”

Revision in 2011

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

6) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

7) Annual Improvements to IFRSs: 2010-2012 Cycle

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

The amended IFRS 2 changes the definitions of ‘vesting condition’ and ‘market condition’ and adds definitions for ‘performance condition’ and ‘service condition’. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the

management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

8) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 3, IFRS 13 and IAS 40 “Investment Property” were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

- c. The impact of the application of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”) in issue but not yet effective on the Group’s consolidated financial statements.

As of the date the consolidated financial statements were authorized for issue, the Group is continually assessing the possible impact that the application of the above New IFRSs will have on the Group’s financial position and operating result, and will disclose the relevant impact when the assessment is complete.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

On May 14, 2009, the FSC announced the “Framework for the Adoption of IFRSs by the Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (the “IFRSs”) endorsed by the FSC.

The Group’s consolidated financial statements for the years ended December 31, 2013 is its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 30 for the impact of IFRS conversion on the Group’s consolidated financial statements.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheets as of the date of transition to IFRSs were prepared in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 30.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of Consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2) Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Businesses	Percentage of Ownership (%)		
			December 31, 2013	December 31, 2012	January 1, 2012
GEM	Global Electronics Terminal (Cayman) Co., Ltd. (Global (Cayman))	Note 1	100	100	100
	Genius Terminal Co., Ltd. (Genius Terminal)	Notes 1 and 2	100	100	100

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%)		
			December 31, 2013	December 31, 2012	January 1, 2012
Global (Cayman)	GEM Terminal (Cayman) Co., Ltd. (GEM Terminal (Cayman))	Note 1	100	100	100
	Vibo Gem International Co., Ltd. (Vibo)	Notes 1 and 2	100	100	100
Genius Terminal	Global Electronics Terminal (HK) Co., Ltd. (Global (HK))	Note 2	100	100	100
	Genius Terminal (HK) Ltd. (Genius (HK))	Note 2	100	100	100
GEM Terminal (Cayman)	Rui Zhan Hardware VN Co., Ltd. (Rui Zhan Hardware VN)	Note 3	100	100	100
Vibo	Suzhou Gem Opto-Electronics Terminal Co., Ltd. (GEM (Suzhou))	Note 4	100	100	100
	Dongguan Gem Electronics & Metal Co., Ltd. (GEM (Dongguan))	Note 5	100	100	100
	You Mao Terminal International Co., Ltd. (You Mao)	Note 2	100	100	100

(Concluded)

Note 1: International investment.

Note 2: International trading.

Note 3: Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production.

Note 4: Manufacture of new electronic components and devices (e.g., Opto-Electronic devices and new mechanical/electric components); design and manufacture of stamping molds with the precision that is equal to or greater than 0.02 mm, plastic molds with the precision that is equal to or greater than 0.05 mm, and standard molds; development and production of construction hardware, water heater parts, and general hardware; manufacture of heat-resistant thermal insulation (insulation class: F or H) and insulation molding parts; production of inorganic nonmetal materials and products (special ceramics); development and production of materials for the specific use in semiconductor components and devices; components, devices, and materials for new instrumentation plug-ins (inserts and functional parts of instrument); terminal crimping machines; and equipment for the specific use in electronics and electric appliances and electroplating of hardware accessories; and sale of the its own products (under business permits for certain operations.); and wholesale and export the similar kind of products as it owns and metal materials ( excluding precious metals ) but not involving state trading commodities, which involves quota and license management products follows relevant Government regulations.

Note 5: Production and sale of terminals, electric appliance plugs and plastic hardware, terminal crimping machines, molds, computer inserts, electroplating for hardware accessories, ceramic ferrules for optical fiber connection, and machine for hardware, electronics, plastics products manufacturing; wholesale and import / export terminals, electrical parts, computer plug, mold terminal crimping machine, electronic hardware plastic machinery,

copper strips, copper (excluding state trading commodities, and which involves quota license management, special regulation management follow relevant regulations).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

g. Property, plant, and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

h. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

i. Financial Instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

#### ii Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

#### iii Loans and receivables

Loans and receivables (including cash and cash equivalent, debt investments with no active market, notes receivable, accounts receivable, other receivables, other financial assets - current and refundable deposits - noncurrent) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

#### b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as accounts receivable and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as

observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- i Significant financial difficulty of the issuer or counterparty;
- ii Breach of contract, such as a default or delinquency in interest or principal payments;
- iii It becoming probable that the borrower will enter into bankruptcy or undergo financial re-organization, or
- iv The disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

## 2) Equity instruments

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a Group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

## 3) Financial liabilities

### Subsequent measurement

Except financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 23.

### Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## 4) Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate and fluctuations in material prices risks, including foreign exchange forward contracts and futures contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

## j. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present

obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract, the present obligations arising under onerous contracts are recognized and measured as provisions.

#### k. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

##### 1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Specifically, sales of goods are recognized when goods are delivered and title has passed.

##### 2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### l. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group is lessee, the operating lease payments are recognized as an expense on a straight-line basis over the lease term.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefit is determined using the Project Unit Credit Method. Actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost and actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

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

In the application of the Group accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Information for accounts receivable and allowed for doubtful account was described in Note 10.

b. Fair value of financial instruments

As described in Note 23, the Group management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. Debt instruments were valued using a discounted cash flow analysis based on

assumptions supported, where possible, by observable market prices or rates. As of December 31, 2013, December 31, 2012, and January 1, 2012, the carrying amount of these equity instruments described in Note 7 and Note 23 providing detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Group's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

c. Useful lives of property, plant and equipment

As described in Note 4 "Summary of Significant Accounting Policies" g., the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date.

The useful lives of property, plant and equipment are determined on the basis of the expected usage of the assets, the expected physical wear and tear, technical or commercial obsolescence, and legal or similar limits on the use of the asset, which may result in significant adjustments.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amount of property, plant and equipment were \$1,708,371 thousand, \$1,561,761 thousand and \$1,633,152 thousand, respectively.

d. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying amounts of inventory were \$590,151 thousand, \$438,841 thousand and \$512,766 thousand, respectively.

e. Realizability of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realizability of deferred tax assets requires the Group's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the deferred tax assets were \$59,449 thousand, \$53,397 thousand and \$44,932 thousand, respectively.

f. Estimate of provisions

Provision is measured using the cash flows estimated to settle the present obligation. If the actual future cash flows exceed the estimated amount, material adjustment to the amount of provisions would be necessary.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the provisions were \$932 thousand, \$35 thousand and zero, respectively.

g. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate,

rate of employee turnover, and long-term average rate of future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the accrued pension liabilities were \$85,094 thousand, \$85,458 thousand and \$85,389 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Cash on hand	\$ 4,947	\$ 2,526	\$ 2,384
Checking accounts and demand deposits	837,072	960,943	1,068,614
Cash equivalents			
Time deposits with original maturities less than 3 months	<u>842,836</u>	<u>1,540,531</u>	<u>451,015</u>
	<u>\$ 1,684,855</u>	<u>\$ 2,504,000</u>	<u>\$ 1,522,013</u>

The market interest rates of cash equivalents at the end of the reporting period ranged as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Time deposits (%)	0.72-3.05	0.28-3.10	0.25-3.30

## 7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Financial assets held for trading	\$ 272	\$ 106,467	\$ 24,540
Financial assets designated as at FVTPL	<u>12,020</u>	<u>3,937</u>	<u>12,855</u>
	<u>\$ 12,292</u>	<u>\$ 110,404</u>	<u>\$ 37,395</u>
Financial liabilities held for trading	<u>\$ 314</u>	<u>\$ -</u>	<u>\$ 1,499</u>

a. Financial instruments classified as held for trading were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<u>Financial assets held for trading</u>			
Derivative financial assets (not under hedge accounting)			
Nickel futures contracts	\$ 272	\$ -	\$ -
Foreign exchange forward contracts	-	-	995

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Non-derivative financial assets			
Gold passbook	\$ _____ -	\$ 106,467	\$ 23,545
	<u>\$ 272</u>	<u>\$ 106,467</u>	<u>\$ 24,540</u>
<hr/> <u>Financial liabilities held for trading</u> <hr/>			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	\$ -	\$ -	\$ 1,499
Copper futures contracts	<u>314</u>	<u>-</u>	<u>-</u>
	<u>\$ 314</u>	<u>\$ -</u>	<u>\$ 1,499</u>
			(Concluded)

The Group used foreign exchange forward contracts, copper futures contracts and nickel futures contracts to manage exposures to adverse exchange rate, copper price and nickel price fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value or cash flows of the hedge items. These contracts did not meet the criteria for hedge accounting.

As of December 31, 2012 and January 1, 2012, there was no outstanding copper futures contract and nickel futures contract. Outstanding copper futures contracts and nickel futures contracts as of December 31, 2013 were as follows:

	Futures Month	Lots	Contract Amount (In Thousands)
Copper futures contracts			
Refined copper	March, 2014	8	USD 669
Nickel futures contracts			
Nickel	March, 2014	4	USD 344

As of December 31, 2013 and 2012, there was no outstanding forward exchange contract. Outstanding forward exchange contracts as of January 1, 2012 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
Sell	HKD/RMB	2012.01.03	HKD5,000/RMB4,081
Sell	USD/NTD	2012.01.17	USD500/NTD14,707
Sell	USD/NTD	2012.01.17	USD500/NTD14,768
Sell	HKD/NTD	2012.01.17	HKD3,000/NTD11,340
Sell	USD/RMB	2012.01.30	USD500/RMB3,255
Sell	HKD/RMB	2012.02.01	HKD5,000/RMB4,080
Sell	USD/NTD	2012.02.17	USD500/NTD15,077
Sell	HKD/NTD	2012.02.17	HKD3,000/NTD11,641
Sell	USD/RMB	2012.03.01	USD500/RMB3,167
Sell	USD/NTD	2012.03.19	USD500/NTD14,997
Sell	HKD/NTD	2012.03.19	HKD3,000/NTD11,581
Sell	USD/RMB	2012.04.02	USD500/RMB3,165
Sell	USD/RMB	2012.05.04	USD500/RMB3,163

Net loss on financial assets and financial liabilities held for trading (classified under nonoperating income and expenses - other gains and losses) were as follows:

	<u>Year Ended December 31</u>	
	2013	2012
Net loss	<u>\$ 2,597</u>	<u>\$ 2,646</u>

b. Financial instruments designated as at FVTPL were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial assets designated as at FVTPL</u>			
Callable preferred stock with interest	<u>\$ 12,020</u>	<u>\$ 3,937</u>	<u>\$ 12,855</u>

Net gain on financial assets designated as at FVTPL (classified under nonoperating income and expenses - other gains and losses) were as follows:

	<u>Year Ended December 31</u>	
	2013	2012
Net gain	<u>\$ 76</u>	<u>\$ 2,957</u>

#### 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic investment			
Quoted stocks	\$ 30,140	\$ 1,484	\$ 18,752
Mutual funds	951	-	-
Foreign investment			
Quoted stocks	8,791	20,212	7,564
Mutual funds	<u>3,068</u>	<u>6,316</u>	<u>1,304</u>
	<u>\$ 42,950</u>	<u>\$ 28,012</u>	<u>\$ 27,620</u>

#### 9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits with original maturities more than 3 months	\$ 33,195	\$ 117,054	\$ 23,356
Pledge time deposits	<u>77,423</u>	<u>102,035</u>	<u>-</u>
	<u>\$ 110,618</u>	<u>\$ 219,089</u>	<u>\$ 23,356</u>
Annual interest rate (%)	0.20-3.05	2.85-3.05	1.00

Refer to Note 25 for information relating to debt investments with no active market pledged as security.

## 10. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Notes receivable</u>			
Notes receivable - operating	<u>\$ 238,907</u>	<u>\$ 171,259</u>	<u>\$ 146,019</u>
<u>Accounts receivable</u>			
Accounts receivable	\$ 1,121,115	\$ 1,051,426	\$ 1,266,127
Less: Allowance for doubtful accounts	<u>15,800</u>	<u>11,319</u>	<u>13,663</u>
	<u>\$ 1,105,315</u>	<u>\$ 1,040,107</u>	<u>\$ 1,252,464</u>

### a. Accounts receivable

The average credit period of sales of goods was 30-120 days. The Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for doubtful accounts of 100% against all receivables over 360 days because historical experience had been that receivables that are past due beyond 360 days were not recoverable. Allowance for doubtful accounts is recognized against trade receivables between 0 days and 360 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

There were no accounts receivable that were past due and not impaired at the end of the reporting period.

Aging analysis of accounts receivable was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Neither past due nor impaired	\$ 981,173	\$ 916,221	\$ 1,087,187
Past due 1-30 days	60,584	47,840	63,438
Past due 31-60 days	66,417	67,706	104,003
Past due 61-90 days	7,472	17,550	9,998
Past due 91-180 days	956	1,178	53
Past due 181-360 days	3,362	-	-
Past due over 360 days	<u>1,151</u>	<u>931</u>	<u>1,448</u>
	<u>\$ 1,121,115</u>	<u>\$ 1,051,426</u>	<u>\$ 1,266,127</u>

The above aging schedule was based on the past due date.

Movements of the allowance for doubtful accounts on accounts receivable were as follows:

	<b>Year Ended December 31</b>			
	<b>2013</b>		<b>2012</b>	
	<b>Accounts Receivable</b>	<b>Overdue Receivables</b>	<b>Accounts Receivable</b>	<b>Overdue Receivables</b>
Balance, beginning of year	\$ 11,319	\$ 1,290	\$ 13,663	\$ 1,408
Amounts written off as uncollectible	-	-	(104)	-
Allowance (reversal of allowance) for doubtful accounts	4,015	-	(1,818)	(64)
Foreign exchange translation loss (gain)	<u>466</u>	<u>-</u>	<u>(422)</u>	<u>(54)</u>
Balance, end of year	<u>\$ 15,800</u>	<u>\$ 1,290</u>	<u>\$ 11,319</u>	<u>\$ 1,290</u>

Overdue receivables were reclassified to other noncurrent assets and were fully covered by allowance for impairment loss on doubtful accounts.

b. Credit risk of notes and accounts receivable

The Group's receivables are significantly concentrated in certain individuals, most of which have similar business operations and economic features. Credit risk concentration occurs when the counterparties to financial instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the balances of the notes and accounts receivable from customers with carrying amounts that were 10% or more of the account totals were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Group A	<u>\$ 271,399</u>	<u>\$ 229,192</u>	<u>\$ 365,605</u>

Except for the above, there were no notes and accounts receivable from customer with carrying amounts that were 10% or more of the account totals.

## 11. INVENTORIES

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Raw materials	\$ 248,434	\$ 159,321	\$ 205,800
Supplies	29,505	23,092	15,820
Work in process	108,756	87,978	110,816
Finished goods	<u>203,456</u>	<u>168,450</u>	<u>180,330</u>
	<u>\$ 590,151</u>	<u>\$ 438,841</u>	<u>\$ 512,766</u>

As of December 31, 2013, December 31, 2012 and January 1, 2012, the allowances for inventory devaluation were \$24,532 thousand, \$20,028 thousand, and \$25,623 thousand, respectively, which were recorded as reduction of inventories.

The cost of inventories recognized as costs of goods sold were \$3,564,142 thousand in 2013 and \$3,331,199 thousand in 2012, respectively, which included the following items:

	<u>Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
Unallocated fixed manufacturing cost	\$ 115,304	\$ 89,239
Others	<u>4,683</u>	<u>(2,130)</u>
	<u>\$ 119,987</u>	<u>\$ 87,109</u>

## 12. PROPERTY, PLANT, AND EQUIPMENT

In the second quarter of 2011 and the fourth quarter of 2013, the Company purchased land for \$6,271 thousand and \$1,637 thousand. On this land, a resort will be constructed for the employees. However, a part of the land is agricultural land that cannot be transferred to the Company because of statutory limitations; thus, the Company registered the property rights in the name of an individual temporarily. The land is mortgaged to the Company and the agreement stipulated unconditional conveyance of the land to the Company.

For long-term development and to complete the factory layout, in the first quarter of 2013, the Company purchased land for the prices of \$7,193 thousand from its related party - Su, Tun Li (immediate relative of the Company's chairman), and the price had been paid off in February 2013.

a. Movements of cost and accumulated depreciation were as follows:

### 2012

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>									
Balance on January 1, 2012	\$ 137,388	\$ 763,598	\$ 1,345,831	\$ 64,152	\$ 36,148	\$ 84	\$ 306,176	\$ 57,744	\$ 2,711,121
Additions	-	4,197	183,463	5,411	1,871	-	61,088	( 27,459)	228,571
Disposal	-	(758)	(10,898)	(1,478)	(1,904)	-	(17,312)	-	(32,350)
Effect of foreign currency exchange differences	-	(23,709)	(111,642)	(2,542)	(1,522)	-	(12,385)	(8,859)	(160,659)
Balance on December 31, 2012	<u>\$ 137,388</u>	<u>\$ 743,328</u>	<u>\$ 1,406,754</u>	<u>\$ 65,543</u>	<u>\$ 34,593</u>	<u>\$ 84</u>	<u>\$ 337,567</u>	<u>\$ 21,426</u>	<u>\$ 2,746,683</u>
<u>Accumulated depreciation</u>									
Balance on January 1, 2012	\$ -	\$ (242,925)	\$ (606,947)	\$ (42,512)	\$ (21,908)	\$ (18)	\$ (163,659)	\$ -	\$ (1,077,969)
Disposal	-	632	8,540	1,330	1,678	-	16,398	-	28,578
Depreciation expenses	-	(35,952)	(114,920)	(6,913)	(3,894)	(12)	(37,573)	-	(199,264)
Effect of foreign currency exchange differences	-	6,187	48,318	1,383	860	(3)	6,988	-	63,733
Balance on December 31, 2012	<u>\$ -</u>	<u>\$ (272,058)</u>	<u>\$ (665,009)</u>	<u>\$ (46,712)</u>	<u>\$ (23,264)</u>	<u>\$ (33)</u>	<u>\$ (177,846)</u>	<u>\$ -</u>	<u>\$ (1,184,922)</u>
Carrying amounts at January 1, 2012	<u>\$ 137,388</u>	<u>\$ 520,673</u>	<u>\$ 738,884</u>	<u>\$ 21,640</u>	<u>\$ 14,240</u>	<u>\$ 66</u>	<u>\$ 142,517</u>	<u>\$ 57,744</u>	<u>\$ 1,633,152</u>
Carrying amounts at December 31, 2012	<u>\$ 137,388</u>	<u>\$ 471,270</u>	<u>\$ 741,745</u>	<u>\$ 18,831</u>	<u>\$ 11,329</u>	<u>\$ 51</u>	<u>\$ 159,721</u>	<u>\$ 21,426</u>	<u>\$ 1,561,761</u>

## 2013

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction in Progress	Total
<b>Cost</b>									
Balance on January 1, 2013	\$ 137,388	\$ 743,328	\$ 1,406,754	\$ 65,543	\$ 34,593	\$ 84	\$ 337,567	\$ 21,426	\$ 2,746,683
Additions	8,830	5,628	199,225	6,738	1,482	-	84,291	29,420	335,614
Disposal	-	-	(41,425)	(1,872)	(786)	-	(4,824)	-	(48,907)
Effect of foreign currency exchange differences	-	36,251	46,545	3,463	1,896	-	12,013	1,679	101,847
Balance on December 31, 2013	<u>\$ 146,218</u>	<u>\$ 785,207</u>	<u>\$ 1,611,099</u>	<u>\$ 73,872</u>	<u>\$ 37,185</u>	<u>\$ 84</u>	<u>\$ 429,047</u>	<u>\$ 52,525</u>	<u>\$ 3,135,237</u>
<b>Accumulated depreciation</b>									
Balance on January 1, 2013	\$ -	\$ (272,058)	\$ (665,009)	\$ (46,712)	\$ (23,264)	\$ (33)	\$ (177,846)	\$ -	\$ (1,184,922)
Disposal	-	-	36,962	1,819	557	-	4,305	-	43,643
Depreciation expenses	-	(37,403)	(124,223)	(6,608)	(3,017)	(16)	(46,513)	-	(217,780)
Effect of foreign currency exchange differences	-	(10,853)	(42,851)	(2,443)	(1,452)	2	(10,210)	-	(67,807)
Balance on December 31, 2013	<u>\$ -</u>	<u>\$ (320,314)</u>	<u>\$ (795,121)</u>	<u>\$ (53,944)</u>	<u>\$ (27,176)</u>	<u>\$ (47)</u>	<u>\$ (230,264)</u>	<u>\$ -</u>	<u>\$ (1,426,866)</u>
Carrying amounts at December 31, 2013	<u>\$ 146,218</u>	<u>\$ 464,893</u>	<u>\$ 815,978</u>	<u>\$ 19,928</u>	<u>\$ 10,009</u>	<u>\$ 37</u>	<u>\$ 198,783</u>	<u>\$ 52,525</u>	<u>\$ 1,708,371</u>

### b. Estimated useful lives

Depreciation is provided on a straight-line basis over estimated useful lives as follows:

<b>Buildings</b>	
Factory	10-20 years
Main building	5-20 years
The major component part of the factory	19-20 years
The major component part of the office	10-55 years
<b>Machinery and equipment</b>	3-15 years
<b>Transportation equipment</b>	4-12 years
<b>Office equipment</b>	3-10 years
<b>Leasehold improvements</b>	5.75 years
<b>Miscellaneous equipment</b>	2-20 years

### c. Refer to note 25 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure borrowings/general banking facilities granted to the Group.

## 13. PREPAYMENTS FOR LEASE

	December 31, 2013	December 31, 2012	January 1, 2012
Current (included in other current assets)	\$ 1,732	\$ 1,572	\$ 1,575
Noncurrent (included in long-term prepaid rent)	<u>72,747</u>	<u>67,034</u>	<u>78,627</u>
	<u>\$ 74,479</u>	<u>\$ 68,606</u>	<u>\$ 80,202</u>

Movements of prepayments for lease were as follows :

	Year Ended December 31	
	2013	2012
Balance, beginning of year	\$ 68,606	\$ 80,202
Add: Additions	4,095	-
		(Continued)

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Less: Amortization	\$ 1,635	\$ 1,588
Decrease	-	6,930
Effect of foreign currency exchange difference	<u>3,413</u>	<u>(3,078)</u>
Balance, end of year	<u>\$ 74,479</u>	<u>\$ 68,606</u> (Concluded)

As of December 31, 2013, December 31, 2012 and January 1, 2012, prepaid lease payments are for properties located in Mainland China and Vietnam. Prepaid lease payments with carrying amount of RMB 1,200 thousand is in the process of obtaining the land use right certificate. GEM (Suzhou) had overpaid the price of its land use right to the local government and the overpayment of \$6,930 thousand (RMB 1,500 thousand) was refunded and accounted for as a deduction of prepaid lease payments in November, 2012.

Refer to note 25 for the carrying amount of prepayments for lease that had been pledged by the Group to secure borrowings/general banking facilities granted to the Group.

#### 14. BORROWINGS

##### a. Short-term borrowings

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Unsecured borrowings	\$ 360,184 (including RMB 18,000 thousand, HK\$47,500 thousand and US\$3,000 thousand )	\$ 887,060 (including RMB28,000 thousand, HK\$70,500 thousand and US\$17,000 thousand )	\$ 670,289 (including RMB6,000 thousand, HK\$48,000 thousand and US\$15,000 thousand)
Secured borrowings	294,267 (RMB 59,900 thousand)	499,084 (RMB 108,000 thousand)	1,949 (HK\$ 500 thousand)
Purchase borrowings	-	-	37,031 (HK\$ 9,500 thousand)
	<u>\$ 654,451</u>	<u>\$ 1,386,144</u>	<u>\$ 709,269</u>

Interest rates P.A. on short-term borrowings were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Unsecured borrowings (%)	1.25-4.72	1.35-6.31	1.30-6.56
Secured borrowings (%)	5.40-6.00	6.00-6.56	2.33
Purchase borrowings (%)	-	-	1.74

b. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured borrowings	\$ 1,355,833	\$ 1,277,500	\$ 917,574
Commercial paper payable	200,000	150,000	150,000
Less: Unamortized discount	<u>434</u>	<u>177</u>	<u>35</u>
	199,566	149,823	149,965
	1,555,399	1,427,323	1,067,539
Less: Current portion	<u>570,833</u>	<u>706,490</u>	<u>365,074</u>
	<u>\$ 984,566</u>	<u>\$ 720,833</u>	<u>\$ 702,465</u>

Unsecured borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Borrowings	\$ 1,355,833	\$ 1,277,500	\$ 917,574
Less: Current portion	<u>570,833</u>	<u>556,667</u>	<u>365,074</u>
Long-term borrowings	<u>\$ 785,000</u>	<u>\$ 720,833</u>	<u>\$ 552,500</u>
Interest rate P.A. (%)	1.66-2.20	1.66-2.20	1.60-2.30

Under the loan agreements with China Development Industrial Bank, Taishin Bank and Taipei Fubon Bank, the Company should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2013, the Company was in compliance with the above mentioned financial ratio requirements stated in the loan agreements with the banks.

Commercial paper payable

Acceptance Bank	Interest Rate P.A. (%)	Credit Line	Maturity	Amount
<u>December 31, 2013</u>				
International Bills Finance Corporation/Ta Chong Bank Ltd. (TC Bank)	1.20	\$ 200,000	February 2016	\$ 200,000
Less: Unamortized discounts				<u>434</u>
				199,566
Less: Current portion				<u>-</u>
				<u>\$ 199,566</u>

(Continued)

Acceptance Bank	Interest Rate P.A. (%)	Credit Line	Maturity	Amount
<u>December 31, 2012</u>				
International Bills Finance Corporation/Ta Chong Bank Ltd. (TC Bank)	1.55	\$ 150,000	January 2013	\$ 150,000
Less: Unamortized discounts				<u>177</u>
				149,823
Less: Current portion				<u>149,823</u>
				<u>\$ -</u>
<u>January 1, 2012</u>				
International Bills Finance Corporation/Ta Chong Bank Ltd. (TC Bank)	1.55	150,000	January 2013	\$ 150,000
Less: Unamortized discounts				<u>35</u>
				149,965
Less: Current portion				<u>-</u>
				<u>\$ 149,965</u>
				(Concluded)

Under the loan agreements with TC Bank, the Group should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2012, the Group was not in compliance with TC Bank's debts ratio requirement; however, the loan was repaid on January 21, 2013. Except for the above, the Group was in compliance with TC Bank's financial ratio on December 31, 2013 and January 1, 2012.

The Group committed to International Bills Finance Corporation to use from February 2013 to February 2016, the full amount of the credit lines granted by the bank; otherwise, the Group will be charged commitment fees at 1.20%, of the credit amounts. The financial ratio of the Group as of December 31, 2013 was in compliance with the requirements stated in the loan agreements with the bank.

## 15. NOTES PAYABLE AND ACCOUNTS PAYABLE

The Group's notes payable and accounts payable were from operating activities and were not secured by collaterals.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms, therefore, no interest was charged on the outstanding trade payables.

## 16. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Payable for purchase of equipment	\$ 46,715	\$ 20,648	\$ 24,367
Salaries or bonus	39,059	45,485	47,001
Payable for utilities expense	8,747	8,000	7,686
Payable for annual leave	4,354	3,743	2,963
Payable for professional service fees	3,586	4,223	7,633
Payable for bonus to employees and remuneration to directors and supervisors	1,380	6,100	10,100
Others	<u>90,880</u>	<u>87,750</u>	<u>117,583</u>
	<u>\$ 194,721</u>	<u>\$ 175,949</u>	<u>\$ 217,333</u>

Other payables - others were payables for interests, labor and health insurance, rent payable, pension payable, payable for employee services and benefits, unpaid VAT and payable for purchase of parts.

## 17. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The foreign subsidiaries also make contributions in accordance with the local regulations, which is a defined contribution plan.

### b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law (LSL). Under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rates	1.25%	1.25%	1.50%
Expected return on plan assets	1.25%	1.25%	1.50%
Expected rates of salary increase	1.20%	1.20%	1.20%
Average remaining services lives	5 years	7 years	8 years

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Current service cost	\$ 1,053	\$ 1,314
Interest cost	1,342	1,672
Expected return on plan assets	<u>(361)</u>	<u>(391)</u>
	<b><u>\$ 2,034</u></b>	<b><u>\$ 2,595</u></b>
An analysis by function		
Operating cost	\$ 587	\$ 873
Marketing expenses	215	266
Administration expenses	829	986
Research and development expenses	<u>403</u>	<u>470</u>
	<b><u>\$ 2,034</u></b>	<b><u>\$ 2,595</u></b>

The amounts included in the parent company only balance sheets arising from the Company's obligation in respect of its defined benefit plan were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Present value of funded defined benefit obligation	\$ 115,575	\$ 107,369	\$ 111,484
Fair value of plan assets	<u>(23,524)</u>	<u>(28,891)</u>	<u>(26,095)</u>
Deficit	92,051	78,478	85,389
Net actuarial losses (gains) not recognized	<u>(6,957)</u>	<u>6,980</u>	<u>-</u>
Accrued pension cost	<b><u>\$ 85,094</u></b>	<b><u>\$ 85,458</u></b>	<b><u>\$ 85,389</u></b>

Movements in the present value of the defined benefit obligations were as follows:

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance, beginning of year	\$ 107,369	\$ 111,484
Current service cost	1,053	1,314
Interest cost	1,342	1,672
Actuarial losses (gains)	13,934	(7,101)
Benefits paid	<u>(8,123)</u>	<u>-</u>
Balance, end of year	<b><u>\$ 115,575</u></b>	<b><u>\$ 107,369</u></b>

Movements in the fair value of the plan assets were as follows:

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Balance, beginning of year	\$ 28,891	\$ 26,095
Expected return on plan assets	361	391

(Continued)

	<u>Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
Actuarial losses	\$ (3)	\$ (121)
Contributions from the employer	2,398	2,526
Benefits paid	<u>(8,123)</u>	<u>-</u>
Balance, end of year	<u>\$ 23,524</u>	<u>\$ 28,891</u> (Concluded)

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Labor Pension Fund Supervisory Committee:

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>January 1,</u> <u>2012</u>
Cash equivalents	23	25	24
Equity instruments	45	38	41
Debt instruments	<u>32</u>	<u>37</u>	<u>35</u>
	<u>100</u>	<u>100</u>	<u>100</u>

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (refer to Note 30):

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>January 1,</u> <u>2012</u>
Present value of defined benefit obligation	<u>\$ 115,575</u>	<u>\$ 107,369</u>	<u>\$ 111,484</u>
Fair value of plan assets	<u>\$ 23,524</u>	<u>\$ 28,891</u>	<u>\$ 26,095</u>
Deficit	<u>\$ 92,051</u>	<u>\$ 78,478</u>	<u>\$ 85,389</u>
Experience adjustments on plan liabilities	<u>\$ 13,934</u>	<u>\$ (7,101)</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ (3)</u>	<u>\$ (121)</u>	<u>\$ -</u>

The Company expects to make contributions of \$2,830 thousand to the defined benefit plans during the annual period beginning after 2013.

## 18. EQUITY

### a. Capital Stock

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>January 1,</u> <u>2012</u>
Number of shares authorized (in thousands)	<u>221,000</u>	<u>221,000</u>	<u>221,000</u>
Shares authorized	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>
Number of shares issued and fully paid (in thousands)	<u>171,598</u>	<u>171,598</u>	<u>171,598</u>
Shares issued	<u>\$ 1,715,980</u>	<u>\$ 1,715,980</u>	<u>\$ 1,715,980</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital Surplus

The capital surplus arising from shares issued in excess of par (additional paid-in capital from issuance of common shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Appropriation of Earnings and Dividend Policy

Under the Company's Articles of Incorporation, the Company should make appropriations from its net income (less any deficit) in the following order:

- 1) 10% as legal reserve, until its balance equals the Company's paid-in capital;
- 2) Special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- 3) The balance of remaining balance should be allocated or retained be board of directors in accordance with the Company's operation. Dividends, bonus to employees, and remuneration to directors and supervisors (bonus to employees should be at least 3%; all of these appropriations should be submitted to the stockholders' meeting for approval).
- 4) If bonus to employees is in the form of stock, affiliates' employees who meet certain requirements may also receive the stock bonus. The stock bonus distribution plan should be approved in a board of directors' meeting.

The Company's dividend policy is in line with the Company's operating scale and research and development needs as well as the status of the economy and industry in order to maintain sound management and promote stockholders' long-term interests. Thus, the Company adopted Residual dividend policy as its Shareholder dividends' policy. Company's profits may be distributed in the form of cash and/or stock. However, distribution of profits should preferably be in the form of cash dividend. Cash dividends should be at least 10% of total dividends. But if a cash dividend is less than NT\$0.2, the Company may choose to appropriate stock dividends instead.

In consideration of the Company's future operation expansion demand, no bonus to employees and remuneration to directors and supervisors were accrued for 2013. For 2012, the bonuses to employees were estimated at \$4,000 thousand and the remuneration to directors and supervisors were \$2,100 thousand. The stated bonus to employees and remuneration to directors were based on the amount of the payment in the past, calculated by net income (bonus to employees and remuneration to directors have been deducted) deducting 10% legal reserve. The bonus to employees and remuneration to directors and supervisors were 5.12% and 2.69% for the year ended December 31, 2012, respectively. Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of shareholders' other equity items (including exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and the gain or loss on the hedging instrument relating to the effective portion of cash flow hedge) shall be transferred from

unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company’s use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the company has earnings and the original need to appropriate a special reserve is not eliminated.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and when the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings of 2012 and 2011 had been approved in the stockholders’ meetings on June 14, 2013 and June 15, 2012, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2012</b>	<b>For Fiscal Year 2011</b>	<b>For Fiscal Year 2012</b>	<b>For Fiscal Year 2011</b>
Legal reserve	\$ 8,494	\$ 18,530		
Cash dividends to stockholders	<u>39,468</u>	<u>137,278</u>	\$0.23	\$0.80
	<u>\$ 47,962</u>	<u>\$ 155,808</u>		

The bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 approved in the stockholders’ meeting on June 14, 2013 and June 15, 2012, respectively, were as follows:

	<b>2012</b>	<b>2011</b>
Employee bonus	\$ 4,000	\$ 8,000
Remuneration to directors and supervisors	2,100	2,100

The appropriations of earnings for 2012 were proposed according to the Company’s financial statements for the years ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

The approved bonus to employees and the remuneration to directors and supervisors were distributed in cash and were not different from amounts recognized in the financial statements for 2012 and 2011.

The appropriations of earnings for 2013 had been proposed by the Company's board of directors on March 26, 2014. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>
Legal reserve	\$ 1,472
Cash dividends to stockholders	-

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2013 are subject to the resolution of the stockholders' meeting to be held on June 19, 2014.

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves appropriated following first-time adoption of IFRSs

The Company had a decrease in retained earnings that resulted from all IFRSs adjustments; therefore, no special reserve was appropriated.

e. Other Equity Items

1) Exchange differences on translating foreign operations

	<b>2013</b>	<b>2012</b>
Balance, beginning of year	\$ 93,979	\$ 202,905
Exchange differences arising on translating the foreign operations	<u>175,156</u>	<u>(108,926)</u>
Balance, end of year	<u>\$ 269,135</u>	<u>\$ 93,979</u>

2) Unrealized gain (loss) from available-for-sale financial assets

	<b>2013</b>	<b>2012</b>
Balance, beginning of year	\$ 2,321	\$ (1,996)
Unrealized gain arising on revaluation of available-for-sale financial assets	787	2,790
Income tax relating to unrealized gain arising on revaluation of available-for-sale financial assets	(10)	(469)
Cumulative loss (gain) reclassified to profit or loss on sale of available-for-sale financial assets	(2,790)	2,176
Income tax relating to the amounts reclassified to profit or loss on disposal of available-for-sale financial assets	<u>469</u>	<u>(180)</u>
Balance, end of year	<u>\$ 777</u>	<u>\$ 2,321</u>

## 19. CONSOLIDATED INCOME BEFORE INCOME TAX

Consolidated income before income tax was as follows:

a. Other income

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Interest income	\$ 34,972	\$ 27,132
Dividend income	1,637	198
Others	<u>3,290</u>	<u>4,706</u>
	<u>\$ 39,899</u>	<u>\$ 32,036</u>

b. Other gains and losses

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Gain (loss) on disposal of investments, net	\$ 14,423	\$ (988)
Foreign exchange gains (losses), net	(17,095)	(16,092)
Loss on disposal of property, plant and equipment, net	(4,663)	(2,247)
Valuation gain (loss) on financial instruments at fair value through profit or loss, net	(2,521)	311
Others	<u>(1,825)</u>	<u>(1,140)</u>
	<u>\$ (11,681)</u>	<u>\$ (20,156)</u>

c. Finance costs

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Interest expense of borrowings	\$ 71,919	\$ 56,029
Less: Amounts included in the cost of qualifying assets	<u>5,825</u>	<u>880</u>
	<u>\$ 66,094</u>	<u>\$ 55,149</u>

Information about capitalized interest was as follows:

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 5,825	\$ 880
Capitalization rate (%)	1.55-7.26	1.85-6.02

d. Depreciation and amortization

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Property, plant and equipment	\$ 217,780	\$ 199,264
Prepayments for lease (current/noncurrent)	1,635	1,588
Other assets	<u>3,425</u>	<u>3,111</u>
	<u>\$ 222,840</u>	<u>\$ 203,963</u>

Other assets were long-term prepayments for computer software and telephone extension usage fee, etc.

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Analysis of depreciation by function		
Operating costs	\$ 170,421	\$ 155,539
Operating expenses	<u>47,359</u>	<u>43,725</u>
	<u>\$ 217,780</u>	<u>\$ 199,264</u>
Analysis of amortization by function		
Operating costs	\$ 262	\$ 131
Operating expenses	<u>4,798</u>	<u>4,568</u>
	<u>\$ 5,060</u>	<u>\$ 4,699</u>

e. Employee benefits expense

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Short-term employee benefits		
Salary	\$ 523,507	\$ 473,459
Labor and health insurance	8,946	8,923
Other	<u>10,806</u>	<u>12,860</u>
	<u>543,259</u>	<u>495,242</u>
Post-employment benefits (Note 17)		
Defined contribution plans	29,488	24,699
Defined benefit plans	<u>2,034</u>	<u>2,595</u>
	<u>31,522</u>	<u>27,294</u>
	<u>\$ 574,781</u>	<u>\$ 522,536</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 402,036	\$ 354,071
Operating expenses	<u>172,745</u>	<u>168,465</u>
	<u>\$ 574,781</u>	<u>\$ 522,536</u>

f. Gain or loss on foreign currency exchange

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Foreign exchange gains	\$ 36,629	\$ 37,928
Foreign exchange losses	<u>(53,724)</u>	<u>(54,020)</u>
	<u>\$ (17,095)</u>	<u>\$ (16,092)</u>

## 20. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense (benefit) were as follows:

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Current tax		
In respect of the current year	\$ 4,997	\$ 49,066
Income tax expense of unappropriated earnings	3,698	2,949
Investment tax credits	(313)	-
In respect of prior periods	<u>3,327</u>	<u>7,001</u>
	<u>11,709</u>	<u>59,016</u>
Deferred tax		
In respect of the current year	(1,446)	5,416
Loss carryforwards	(1,531)	(5,106)
Exchange rate influence	<u>(793)</u>	<u>1,803</u>
	<u>(3,770)</u>	<u>2,113</u>
Income tax expense recognized in profit or loss	<u>\$ 7,939</u>	<u>\$ 61,129</u>

A reconciliation of accounting profit and income tax expense effective tax rate and the applicable tax rate was as follows:

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Consolidated income before income tax	<u>\$ 22,657</u>	<u>\$ 147,982</u>
Income tax expense at statutory rate	\$ 3,497	\$ 41,983
Tax effect of adjustment items		
Tax-exempt income	(165)	-
Non-taxable expenses and losses (revenues and gains)	(1,125)	145
Nondeductible expenses in determining taxable income	316	(378)
Temporary differences	-	7,511
Investment credits used	(313)	-
Additional income tax on unappropriated earnings	3,698	2,949
Additional income tax under the Alternative Minimum Tax Act	<u>57</u>	<u>-</u>
In respect of the current year	5,965	52,210

(Continued)

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Temporary differences	\$ (620)	\$ -
Withholding tax on overseas dividends and interest income	60	115
In respect of the prior periods	3,327	7,001
Exchange rate influence	<u>(793)</u>	<u>1,803</u>
Income tax expense	<u>\$ 7,939</u>	<u>\$ 61,129</u> (Concluded)

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC, while the applicable tax rate used by the subsidiaries in China is 25%. Under the laws of the British Virgin Islands, the income of Genius, Global (Cayman) and GEM (Cayman) is exempt from income tax. The subsidiaries in Hong Kong - Genius (HK), Vibo Global (HK), and You Mao have no operations on local area, these subsidiaries are also exempt from income tax in accordance with Hong Kong's laws. If these subsidiaries have any separate tax on interest income or withholding tax on dividends, the amount of this tax is recorded as the current year's tax provision.

As the status of 2014 appropriations of earnings is uncertain, the potential income tax consequences of 2013 unappropriated earnings are not reliably determinable.

- b. Income tax recognized in other comprehensive income (loss)

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Deferred tax		
Income tax recognized in other comprehensive income (loss)	<u>\$ 459</u>	<u>\$ (649)</u>

- c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

Year ended December 31, 2013

<b>Deferred Tax Assets</b>	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Balance, End of Year</b>
Temporary differences			
Unrealized deferred revenue	\$ 15,796	\$ 6,310	\$ 22,106
Defined benefit obligation	14,528	(62)	14,466
Financial and taxation differences on property, plant and equipment	5,676	943	6,619
Unrealized inventory devaluation	4,617	1,289	5,906
Foreign investment losses	4,413	815	5,228
Allowance for accounts receivable	1,359	562	1,921
FVTPL financial assets	1,326	(757)	569
Others	<u>576</u>	<u>527</u>	<u>1,103</u>
	48,291	9,627	57,918
Loss carryforwards	<u>5,106</u>	<u>(3,575)</u>	<u>1,531</u>
	<u>\$ 53,397</u>	<u>\$ 6,052</u>	<u>\$ 59,449</u>

Others were mainly composed of unrealized exchange, payable for annual leave and provisions.

<b>Deferred Tax liabilities</b>	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of Year</b>
Temporary differences				
Foreign investment gain	\$ (60,723)	\$ (1,589)	\$ -	\$ (62,312)
Land value increment tax	(7,398)	-	-	(7,398)
Capitalized interest	(1,439)	(1,267)	-	(2,706)
Available-for-sale financial assets	(469)	-	459	(10)
Others	<u>(403)</u>	<u>(219)</u>	<u>-</u>	<u>(622)</u>
	<u>\$ (70,432)</u>	<u>\$ (3,075)</u>	<u>\$ 459</u>	<u>\$ (73,048)</u>

Others were mainly composed of unrealized exchange gain and financial and taxation differences on depreciation.

Year ended December 31, 2012

<b>Deferred Tax Assets</b>	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Temporary differences					
Unrealized deferred revenue	\$ 11,814	\$ 3,982	\$ -	\$ -	\$ 15,796
Defined benefit obligation	14,516	12	-	-	14,528
Financial and taxation differences on property, plant and equipment	6,010	(334)	-	-	5,676
Unrealized inventory devaluation	6,009	(1,392)	-	-	4,617
Foreign investment loss	2,320	2,093	-	-	4,413
Allowance for accounts receivable	1,462	(103)	-	-	1,359
FVTPL financial assets	855	471	-	-	1,326
Available-for-sale financial assets	180	-	(649)	469	-
Others	<u>1,766</u>	<u>(1,210)</u>	<u>-</u>	<u>20</u>	<u>576</u>
	44,932	3,519	(649)	489	48,291
Loss carryforwards	<u>-</u>	<u>5,106</u>	<u>-</u>	<u>-</u>	<u>5,106</u>
	<u>\$ 44,932</u>	<u>\$ 8,625</u>	<u>\$ (649)</u>	<u>\$ 489</u>	<u>\$ 53,397</u>

Others were mainly composed of unrealized exchange loss, payable for annual leave and provisions.

<b>Deferred Tax liabilities</b>	<b>Balance, Beginning of Year</b>	<b>Recognized in Profit or Loss</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Temporary differences				
Foreign investment gain	\$ (51,546)	\$ (9,177)	\$ -	\$ (60,723)
Land value increment tax	(7,398)	-	-	(7,398)
Capitalized interest	(1,481)	42	-	(1,439)
Available-for-sale financial assets	-	-	(469)	(469)
Other	<u>(583)</u>	<u>200</u>	<u>(20)</u>	<u>(403)</u>
	<u>\$ (61,008)</u>	<u>\$ (8,935)</u>	<u>\$ (489)</u>	<u>\$ (70,432)</u>

Others were mainly composed of unrealized exchange gain and financial and taxation differences on depreciation.

d. Information about unused loss carry-forward and tax-exemption

Loss carryforwards as of December 31, 2013 comprised of:

<b>Unused Amount</b>	<b>Expiry Year</b>
<u>\$ 6,842</u>	2022

As of December 31, 2013, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

<u>Expansion of Construction Project</u>	<u>Tax-exemption Period</u>
2009.09.03 Industrial Development Bureau Ministry of Economic Affairs No. "0980554040"	2011.01.01-2015.12.31

e. Integrated income tax

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ 6,684	\$ 6,684	\$ 6,684
Unappropriated earnings generated on and after January 1, 1998	<u>338,244</u>	<u>371,488</u>	<u>440,443</u>
	<u>\$ 344,928</u>	<u>\$ 378,172</u>	<u>\$ 447,127</u>
Imputation credits accounts	<u>\$ 23,020</u>	<u>\$ 25,262</u>	<u>\$ 20,911</u>

The creditable ratios for the distribution of earnings of 2013 and 2012 was 7.31% (estimate) and 6.76% (actual), respectively.

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

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating the creditable ratio in the year of first - time adoption of the Regulations in preparation of the parent company only financial statements, the Company has included the adjustments to retained earnings from the effect of transition to the Regulations in the accumulated unappropriated earnings.

f. Income tax assessments

The tax returns of the Company through 2009 and 2011 have been assessed by the tax authorities.

g. GEM (Dongguan) and GEM (Suzhou) had completed the filing of their income tax returns through 2012 with the tax authorities.

## 21. EARNINGS PER SHARE (EPS)

The net profit and weighted average number of ordinary shares outstanding in the computation of basic and diluted EPS were as follows:

### Net profit for the year ended

	<u>Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
Net profit used in the computation of basic / diluted earnings per share	\$ <u>14,718</u>	\$ <u>86,853</u>

### Weighted average number of ordinary shares outstanding (in thousand shares)

	<u>Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
Weighted average number of ordinary shares in computation of basic EPS	171,598	171,598
Effect of diluted potential ordinary shares		
Bonus to employee	<u>161</u>	<u>647</u>
Weighted average number of ordinary shares used in the computation of diluted EPS	<u>171,759</u>	<u>172,245</u>

If the Company is allowed to settle bonus to employees by cash and/or shares, the Company presumes that the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 22. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt and equity of the Group. The Group is not subject to any externally imposed capital requirements, except to maintain certain financial ratios specified under loan agreements. (Refer to Note 14)

Key management personnel of the Group review the capital structure on a quarterly basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders or the levels of debt and current assets.

## 23. FINANCIAL INSTRUMENTS

### a. Fair values of financial instruments

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

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial

statements approximate their fair values.

	<u>December 31, 2013</u>		<u>December 31, 2012</u>		<u>January 1, 2012</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial liabilities</u>						
Financial liabilities measured at amortized cost						
Long-term borrowings (including current portion)	\$ 1,555,399	\$ 1,523,480	\$ 1,427,323	\$ 1,398,135	\$ 1,067,539	\$ 1,055,298

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2013

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets designated as at FVTPL				
Callable preferred stock with interest	<u>\$ 12,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,020</u>
Financial assets held for trading				
Nickel futures contracts	<u>\$ 272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272</u>
Financial liabilities held for trading				
Copper futures contracts	<u>\$ 314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314</u>
Available-for-sale financial assets				
Domestic quoted stocks	\$ 30,140	\$ -	\$ -	\$ 30,140
Overseas quoted stocks	8,791	-	-	8,791
Domestic mutual funds	951	-	-	951
Overseas mutual funds	<u>3,068</u>	<u>-</u>	<u>-</u>	<u>3,068</u>
	<u>\$ 42,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,950</u>

December 31, 2012

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets designated as at FVTPL				
Callable preferred stock with interest	<u>\$ 3,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,937</u>
Financial assets held for trading				
Gold passbook	<u>\$ 106,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,467</u>
Available-for-sale financial assets				
Domestic quoted stocks	\$ 1,484	\$ -	\$ -	\$ 1,484
Overseas quoted stocks	20,212	-	-	20,212
Overseas mutual funds	<u>6,316</u>	<u>-</u>	<u>-</u>	<u>6,316</u>
	<u>\$ 28,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,012</u>

January 1, 2012

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets designated as at FVTPL				
Callable preferred stock with interest	<u>\$ 12,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,855</u>
Financial assets held for trading				
Gold passbook	\$ 23,545	\$ -	\$ -	\$ 23,545
Forward exchange contracts	<u>-</u>	<u>995</u>	<u>-</u>	<u>995</u>
	<u>\$ 23,545</u>	<u>\$ 995</u>	<u>\$ -</u>	<u>\$ 24,540</u>
Financial liabilities held for trading				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ -</u>	<u>\$ 1,499</u>
Available-for-sale financial assets				
Domestic quoted stocks	\$ 18,752	\$ -	\$ -	\$ 18,752
Overseas quoted stocks	7,564	-	-	7,564
Overseas mutual funds	<u>1,304</u>	<u>-</u>	<u>-</u>	<u>1,304</u>
	<u>\$ 27,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,620</u>

There were no transfers between Level 1 and Level 2 in 2013 and 2012.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.
- b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives. The fair values of forward exchange contracts were calculated using quoted prices and yields quoted rate during the derivation of the curve with the contractual maturity. The estimates and assumptions used by the Group were consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial assets</u>			
Fair value through profit or loss			
Designated as at FVTPL	\$ 12,020	\$ 3,937	\$ 12,855
Held for trading	272	106,467	24,540
Loans and receivables (Note 1)	3,167,622	3,960,190	2,999,808
Available-for-sale financial assets	42,950	28,012	27,620
<u>Financial liabilities</u>			
Fair value through profit or loss			
Held for trading	314	-	1,499
Measured at amortized cost (Note 2)	2,853,007	3,442,657	2,360,392

Note 1: The balances included in loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes and accounts receivable, other financial assets-current, other receivables and refundable deposits-noncurrent.

Note 2: The balances included in financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and accounts payable, other payables, and long-term borrowings (including current portion).

c. Financial risk management objectives and policies

The Group's Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporate Treasury function reports monthly to the Group's risk management committee.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including

derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Group was exposed to foreign currency risk due to its foreign currency denominated assets and liabilities. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts. Approximately 64% of sales were not denominated in the Group's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period were as follows.

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Assets			
USD	\$ 747,566	\$ 964,823	\$ 717,745
HKD	195,604	173,147	430,217
JPY	16,125	8,856	30,512
CAD	806	75,197	29,839
GBP	856	133,227	57,626
Liabilities			
USD	305,516	628,634	802,320
HKD	187,218	133,340	155,921
JPY	261	-	-

The carrying amounts of the Group's derivatives exposed to foreign currency risk at the end of the reporting period were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Assets			
USD	\$ 272	\$ -	\$ 995
Liabilities			
USD	314	-	1,499

Sensitivity analysis

The Group was mainly exposed to the risks from the fluctuation of USD, HKD, JPY, CAD and GBP.

The following table details the sensitivity to a 1% increase and decrease in the functional currency rate against the relevant foreign currencies of the Group's outstanding foreign currency denominated monetary items at the end of the reporting period. A positive (negative) number below indicates an increase (decrease) in pre-tax profit and other equity associated with the functional currency.

	<u>USD impact</u>		<u>HKD impact</u>		<u>JPY impact</u>		<u>CAD impact</u>		<u>GBP impact</u>	
	<u>Year Ended</u>		<u>Year Ended</u>		<u>Year Ended</u>		<u>Year Ended</u>		<u>Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Profit or loss	\$ 4,421	\$ 3,362	\$ 84	\$ 398	\$ 159	\$ 89	\$ 8	\$ 752	\$ 9	\$ 1,332

## b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
Fair value interest rate risk			
Financial assets	\$ 953,454	\$ 1,759,620	\$ 474,371
Financial liabilities	1,815,398	2,730,287	988,814
Cash flow interest rate risk			
Financial assets	836,871	960,742	1,068,413
Financial liabilities	394,452	83,180	787,994

### Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2013 and 2012 would have been higher/lower by \$4,424 thousand and \$8,776 thousand, respectively.

## c) Other price risk

The Group was exposed to equity price risk through its investments in gold passbook, futures contracts, mutual funds and listed shares. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk was mainly concentrated on gold, futures, stocks contracts and funds of industries operating in Taiwan, Hong Kong and America; the price used is according to the monthly closing price and net asset value of the gold passbook, futures contracts, stock or fund.

### Sensitivity analysis

The sensitivity analysis below were based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2013 would have been higher/lower by \$120 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2013 would have been higher/lower by \$430 thousand as a result of the changes in fair value of available-for-sale shares.

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2012 would have been higher/lower by \$1,104 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2012 would have been higher/lower by \$280 thousand as a result of the changes in fair value of available-for-sale financial assets.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the counterparties' failure to discharge an obligation and because of financial guarantees provided by the Group is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's receivables are significantly concentrated in certain individuals, most of which have similar business operations and economic features. Credit risk concentration occurs when the counterparties to financial instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Accounts receivable from customers with carrying amounts that were 10% or more of the account total are disclosed in Note 10.

## 3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements.

As of December 31, 2013, December 31, 2012 and January 1, 2012, information for the Group's unused credit line was shown below in c).

### a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details contractual maturity of the Group's remaining non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment date.

The maturity dates for non-derivative financial liabilities based on the agreed repayment dates were as follows:

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>December 31, 2013</u>					
Fixed interest rate liabilities	1.25-6.00	\$ 271,697	\$ 346,897	\$ 494,856	\$ 837,378
Variable interest rate liabilities	2.00-4.72	583	26,714	117,240	162,876
Non-interest bearing		288,593	191,960	15,451	313
<u>December 31, 2012</u>					
Fixed interest rate liabilities	1.35-6.56	308,877	962,540	773,207	731,528
Variable interest rate liabilities	4.89	1,039	-	84,952	-
Non-interest bearing		273,516	183,902	18,820	23
<u>January 1, 2012</u>					
Fixed interest rate liabilities	1.30-6.56	27,163	23,013	251,523	710,486
Variable interest rate liabilities	1.60-2.16	254,114	191,172	348,314	-
Non-interest bearing		203,922	154,400	33,013	438

Taking into account the Group's financial position, management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management believes that such bank loans will be repaid in one year after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

The amounts included above for variable interest rate non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest rick rate tables for derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Futures					
Inflows	\$ -	\$ 272	\$ -	\$ -	\$ -
Outflows	\$ -	\$ (314)	\$ -	\$ -	\$ -

January 1, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 76,088	\$ 88,144	\$ 30,423	\$ -	\$ -
Outflows	(76,583)	(88,235)	(30,341)	-	-
	\$ (495)	\$ (91)	\$ 82	\$ -	\$ -

The Group's futures contracts are traded on margin with security deposits paid before trading. The Group has established procedures for daily evaluation of outstanding futures contracts. If additional security deposits will be required in the future, the Group's capital is sufficient. So the Group has no funding risk, and cash flow risk is very low.

c) Credit line

	December 31, 2013	December 31, 2012	January 1, 2012
Secured bank borrowing credit line			
Amount used	\$ 294,267	\$ 499,085	\$ 30,798
Amount unused	<u>432,803</u>	<u>92,423</u>	<u>488,487</u>
	<u>\$ 727,070</u>	<u>\$ 591,508</u>	<u>\$ 519,285</u>
Unsecured bank loan facility			
Amount used	\$ 2,745,185	\$ 2,812,060	\$ 2,136,045
Amount unused	<u>2,270,567</u>	<u>1,449,634</u>	<u>2,091,837</u>
	<u>\$ 5,015,752</u>	<u>\$ 4,261,694</u>	<u>\$ 4,227,882</u>

## 24. TRANSACTIONS WITH RELATED PARTIES

All transactions, balances, and revenues and expenses among the Company and its subsidiaries are eliminated on consolidation, so the information is not disclosed in this note. Transactions of the consolidated companies and other related parties were as follows:

a. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel for the reporting period were as follows:

	<u>Year Ended December 31</u>	
	2013	2012
Short-term benefits (including salary and bonuses)	\$ 13,190	\$ 16,619
Post-employment benefits	<u>316</u>	<u>316</u>
	<u>\$ 13,506</u>	<u>\$ 16,935</u>

The remuneration of directors and other key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

b. Property lease

The Company leased its Taipei office, factories and storehouse from Su, Tun-Jen and Su, Tun-Li under one-year operating lease contracts. The rentals for the years ended December 31, 2013 and 2012 were both \$1,826 thousand and recorded as operating expenses and manufacturing cost on the basis of the size of the areas actually used.

The Company leased employment dormitory from director Yu Feng Investment Company under one-year operating lease contracts. The rentals for the year ended December 31, 2013 were \$144 thousand, which were recorded as operating expenses.

The rental terms were determined by negotiation. The rental rates were similar to the local market rate and the payment terms were at arm's length.

c. Guarantees

Su, Chung-Hong and Su, Tun-Li jointly provided the guarantee for the loans of GEM, Global (HK) and GEM (Suzhon). Su, Chung-Hong and Su, Tun-Jen jointly provided the guarantee for the borrowings of Genius (HK); Su, Tun-Jen provided the guarantee for Genius (HK)'s borrowings from Shing Kong Bank, Su Chung-Hong and Su, Tun-Jen jointly provided the guarantee for the other borrowings of Genius (HK).

## 25. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The Group provided the following assets as collateral for the borrowings:

	December 31, 2013	December 31, 2012	January 1, 2012
Property, plant and equipment - buildings	\$ 395,862	\$ 397,602	\$ 237,217
Deposit account (under debt investments with no active market- current)	77,423	102,035	-
Prepaid rent (under other current assets)	<u>30,163</u>	<u>40,275</u>	<u>20,726</u>
	<u>\$ 503,448</u>	<u>\$ 539,912</u>	<u>\$ 257,943</u>

## 26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 14, significant commitments and contingencies of the Group as of December 31, 2013, the amounts of contracts for the Group's purchases of properties and materials were \$314,570 thousand, of which \$222,834 thousand had not been paid.

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

The significant financial assets, financial liabilities and derivative contracts denominated in foreign currencies were as follows (in thousands of foreign currency, except exchange rate):

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>December 31, 2013</u>			
Financial assets			
Monetary items			
USD	\$ 25,111	29.770	\$ 747,566
HKD	50,925	3.841	195,604
JPY	56,857	0.2836	16,125
GBP	17	49.213	856
CAD	29	27.966	806
Nonmonetary items			
USD	472	29.770	14,037
HKD	2,633	3.841	10,114

(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<b>Financial liabilities</b>			
Monetary items			
USD	\$ 10,263	29.770	\$ 305,516
HKD	48,741	3.841	187,218
JPY	920	0.2836	261
Nonmonetary items			
USD	11	29.770	314
<hr/> December 31, 2012 <hr/>			
<b>Financial assets</b>			
Monetary items			
USD	33,233	29.032	964,823
HKD	46,210	3.747	173,147
GBP	2,847	46.802	133,227
JPY	26,334	0.3363	8,856
CAD	2,576	29.194	75,197
Nonmonetary items			
USD	701	29.032	20,359
HKD	2,697	3.747	10,106
<b>Financial liabilities</b>			
Monetary items			
USD	21,653	29.032	628,634
HKD	35,586	3.747	133,340
<hr/> January 1, 2012 <hr/>			
<b>Financial assets</b>			
Monetary items			
USD	27,704	30.270	838,598
HKD	129,302	3.898	504,019
GBP	1,234	46.711	57,626
JPY	78,135	0.3905	30,512
CAD	1,006	29.661	29,839
Nonmonetary items			
USD	551	30.270	16,676
HKD	1,295	3.898	5,048
<b>Financial liabilities</b>			
Monetary items			
USD	26,505	30.270	802,320
HKD	40,000	3.898	155,921
<b>Derivative contract</b>			
Forward exchange contract			
USD	4,000	29.413-31.305	120,853
HKD	19,000	3.780-3.924	73,802
			(Concluded)

## 28. ADDITIONAL DISCLOSURES

### a. Information about significant transactions and investees:

- 1) Financing provided: Table 1 (attached).
- 2) Endorsement/guarantee provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries): Table 2 (attached).
- 4) Marketable securities acquired and disposed at cost or price at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached).
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached).
- 9) Trading in derivative instruments: Please see Note 7.
- 10) Information on investees: Table 5 (attached).

### b. Information on investments in Mainland China

Information on any investee company in Mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the Mainland China areas: Table 6 (attached).

Any of the following significant transactions with investee companies in Mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 3 (attached).
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 3 (attached).
- 3) The amount of property transactions and the amount of the resultant gains or losses: Table 7 (attached).
- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- 5) The highest balance, the end of period balance, the interest rates range, and total current period interest with respect to financing of funds: Table 1 (attached).

- 6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Table 7 (attached).
- c. Intercompany business relationships and significant transactions for the year ended December 31, 2013 and 2012: Table 7 (attached).

## 29. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on type of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- GEM Terminal, GEM (Dongguan) and Genius (HK) consolidated information
- GEM (Suzhou)
- Others

a. Segment revenues and results, segment assets and liabilities

The following is an analysis of the Group's revenue and results from operations by reportable segment:

	<b>GEM Terminal, GEM (Dongguan)&amp; Genius (HK)</b>	<b>GEM (Suzhou)</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Consolidated Amount</b>
<u>Year ended December 31, 2013</u>					
Revenue generated from third parties	\$ 2,205,453	\$ 1,524,851	\$ 291,753	\$ (11)	\$ 4,022,046
Revenue generated from the Company and subsidiaries	<u>80,562</u>	<u>462,817</u>	<u>133,674</u>	<u>(677,053)</u>	<u>-</u>
Segment revenues	<u>\$ 2,286,015</u>	<u>\$ 1,987,668</u>	<u>\$ 425,427</u>	<u>\$ (677,064)</u>	<u>\$ 4,022,046</u>
Total segment income (loss)	<u>\$ (25,199)</u>	<u>\$ 24,784</u>	<u>\$ 1,134</u>	<u>\$ 59,814</u>	\$ 60,533
Other income					39,899
Other gains and losses					(11,681)
Finance costs					<u>(66,094)</u>
Net income of operating units (pretax)					22,657
Income tax					<u>7,939</u>
Consolidated net income					<u>\$ 14,718</u>
Total segment assets before investments	\$ 4,517,055	\$ 2,561,325	\$ 3,426,302	\$ (4,553,797)	\$ 5,950,885
Investments accounted for using equity method	<u>2,009,072</u>	<u>-</u>	<u>-</u>	<u>(2,009,072)</u>	<u>-</u>
Total segment assets	<u>\$ 6,526,127</u>	<u>\$ 2,561,325</u>	<u>\$ 3,426,302</u>	<u>\$ (6,562,869)</u>	<u>\$ 5,950,885</u>
Total segment liabilities	<u>\$ 2,589,727</u>	<u>\$ 548,463</u>	<u>\$ 218,097</u>	<u>\$ (334,815)</u>	<u>\$ 3,021,472</u>
<u>Year ended December 31, 2012</u>					
Revenue generated from third parties	\$ 1,878,760	\$ 1,660,429	\$ 378,912	\$ 772	\$ 3,918,873
Revenue generated from the Company and subsidiaries	<u>68,243</u>	<u>496,143</u>	<u>103,161</u>	<u>(667,547)</u>	<u>-</u>
Segment revenues	<u>\$ 1,947,003</u>	<u>\$ 2,156,572</u>	<u>\$ 482,073</u>	<u>\$ (666,775)</u>	<u>\$ 3,918,873</u>

(Continued)

	<b>GEM Terminal, GEM (Dongguan)&amp; Genius (HK)</b>	<b>GEM (Suzhou)</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Consolidated Amount</b>
Total segment income	<u>\$ 10,400</u>	<u>\$ 145,504</u>	<u>\$ 1,013</u>	<u>\$ 34,334</u>	\$ 191,251
Other income					32,036
Other gains and losses					(20,156)
Finance costs					<u>(55,149)</u>
Net income of operating units (pretax)					147,982
Income tax					<u>61,129</u>
Consolidated net income					<u>\$ 86,853</u>
Total segment assets before investments	\$ 4,474,370	\$ 2,590,578	\$ 3,174,825	\$ (3,847,909)	\$ 6,391,864
Investments accounted for using equity method	<u>1,878,507</u>	-	-	<u>(1,878,507)</u>	-
Total segment assets	<u>\$ 6,352,877</u>	<u>\$ 2,590,578</u>	<u>\$ 3,174,825</u>	<u>\$ (5,726,416)</u>	<u>\$ 6,391,864</u>
Total segment liabilities	<u>\$ 2,649,461</u>	<u>\$ 709,537</u>	<u>\$ 407,781</u>	<u>\$ (155,466)</u>	<u>\$ 3,611,313</u>

(Concluded)

b. Geographical information

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>		
	<b>Year Ended December 31</b>		<b>December 31,</b>	<b>December 31,</b>	<b>January 1,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
Taiwan	\$ 242,937	\$ 237,029	\$ 302,469	\$ 341,819	\$ 378,600
China	3,645,885	3,434,083	1,620,196	1,357,947	1,351,642
Vietnam	5,480	6,304	55,830	21,213	22,682
Others	<u>127,744</u>	<u>241,457</u>	-	-	-
	<u>\$ 4,022,046</u>	<u>\$ 3,918,873</u>	<u>\$ 1,978,495</u>	<u>\$ 1,720,979</u>	<u>\$ 1,752,924</u>

Non-current assets exclude financial assets (refundable deposits - current) and deferred tax assets.

c. Major customers

For 2013 and 2012, the customer from which sales revenue accounted for over 10% of the Group's consolidated operating revenue is shown below:

	<b>Years Ended December 31</b>			
	<b>2013</b>		<b>2012</b>	
	<b>Amount</b>	<b>% to Operating Revenue, Net</b>	<b>Amount</b>	<b>% to Operating Revenue, Net</b>
Group A	<u>\$ 551,515</u>	<u>14</u>	<u>\$ 572,175</u>	<u>15</u>

### 30. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Group not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for

the preparation.

b. Impact on the transition to IFRSs

After transition to IFRSs, the impact on the Group's consolidated balance sheets and consolidated statements of comprehensive income is stated as follows:

- 1). Reconciliation of consolidated balance sheet as of January 1, 2012: Table 8 (attached).
- 2) Reconciliation of consolidated balance of December 31, 2012: Table 9 (attached).
- 3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012: Table 10 (attached).
- 4) Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Group's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs, January 1, 2012; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The major optional exemptions the Group adopted are summarized as follows:

a) Deemed cost

For a part of the land, the Company elected to use revalued carrying amount (under ROC GAAP) as deemed cost at the date of transition to IFRSs. The Group has measured property, plant and equipment and intangible assets by cost method under IFRSs retrospectively.

b) Employee benefits

The Group elected to recognize all cumulative actuarial gains and losses in retained earnings as of the date of transition. In addition, the Group elected to apply the exemption disclosure requirement provided by IFRS 1, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

c) Share-based payment transactions

The Group elected to take the optional exemption from applying IFRS 2 "Share-based Payment" retrospectively for the share-based payment transactions granted and vested before the date of transition.

The effects of electing for the above exemptions are stated in section "5. Explanations of significant reconciling items in the transition to IFRSs" below.

5) Explanations of significant reconciling items in the transition to IFRSs

Material differences between the Group's consolidated financial statements prepared on the basis of the ROC GAAP and IFRSs are stated as follows:

a) Time deposits with maturity of more than 3 months from the date of acquisition

Under ROC GAAP, the term "cash and cash equivalents" used in the financial statements includes time deposits that are cancellable but without any loss of principal.

However, under IFRSs, time deposits with maturity of more than 3 months from the date of acquisition, with fixed or determinable payments and with no quoted prices in an active market, are not included in the term "cash and cash equivalents" and should be reclassified as bond investments with no active market - current.

As of December 31, 2012 and January 1, 2012, the Group's time deposits with maturity of more than 3 months from the date of acquisition were reclassified under IFRSs; the reclassification adjustment resulted in a decrease of cash and cash equivalents by \$117,054 thousand and \$23,356 thousand, respectively.

b) Offset of deferred tax liabilities and assets

Under the requirements of ROC GAAP, the current and noncurrent deferred tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount. However under the requirements of IAS 12, an entity shall offset current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts; and an entity shall offset deferred tax assets and deferred tax liabilities if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

c) Reclassification of deferred income tax assets and liabilities

Under ROC GAAP, a deferred income tax asset or liability is classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability, then it is classified as either current or noncurrent on the basis of the expected length of time before it is realized or settled.

Under IFRSs, a deferred income tax asset or liability should be classified as noncurrent.

Accordingly, as of December 31, 2012 and January 1, 2012, the reclassification adjustment resulted in an increase of noncurrent deferred income tax assets by \$12,901 thousand and \$10,469 thousand, respectively. Under IFRSs, the Group's deferred tax assets and liabilities cannot be offset against each other, thus, deferred tax assets and liabilities both increased by \$1,299 thousand and \$1,008 thousand at December 31, 2012 and January 1, 2012.

d) Reclassification of reserve for land value increment tax

Under the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, reserve for land value increment tax recognized due to land revaluation is classified as noncurrent liabilities.

Under IFRSs, if the company chose to use revalued carrying amounts of land as its deemed costs, the related reserve for land value increment tax should be reclassified as deferred income tax liabilities.

Accordingly, as of December 31, 2012 and January 1, 2012, the reclassification adjustment resulted in an increase of deferred income tax liabilities by \$7,398 thousand.

e) Reclassification of prepayments for equipment

Under ROC GAAP, prepayments for equipment are classified as construction in progress and prepayments for equipment under property, plant and equipment.

Under IFRSs, prepayments for equipment should be classified as other noncurrent assets - prepayments for equipment.

Accordingly, as of December 31, 2012 and January 1, 2012, the reclassification adjustment resulted in an increase of noncurrent other assets - prepayments for equipment by \$83,427 thousand and \$30,526 thousand, respectively.

f) Reclassification of land use rights

Under ROC GAAP, land use rights are classified as intangible assets.

Under IFRSs (IAS 17 - "Leases"), land use rights should be separately accounted for as prepaid rent, and classified as either current or noncurrent based on the expected length of time of amortization.

Accordingly, as of December 31, 2012 and January 1, 2012, the reclassification adjustment resulted in an increase of prepaid rent (under other current assets) by \$1,572 thousand and \$1,575 thousand respectively, an increase of long-term prepaid rent by \$67,034 thousand and \$78,627 thousand, respectively.

g) Measurement of property, plant and equipment

Under ROC GAAP, property, plant and equipment held by the Group can be revalued in accordance with laws and regulations. Land can be revalued and adjusted to government announced current land value. The increase in the value of land is recognized as revaluation increment less the estimated reserve for land value increment tax.

Under IFRSs, the Group elected cost model as its accounting policy for subsequent recognition of its property, plant and equipment, and no land value increment is allowed to be recognized accordingly.

Accordingly, as of December 31, 2012 and January 1, 2012, the reclassification adjustment resulted in an increase of retained earnings by \$25,785 thousand on each date.

h) Reclassification of deferred charges

Under ROC GAAP, deferred charges are classified as other assets.

Under IFRSs, deferred charges should be classified as property, plant and equipment, prepaid expenses and long-term prepaid expenses by their nature.

Accordingly, as of December 31, 2012 and January 1, 2012, the reclassification adjustment resulted in an increase of long-term prepaid expenses (under noncurrent other assets) by \$6,354 thousand and \$8,119 thousand, respectively.

i) Employee benefit - short-term employee benefit

Accumulated compensated absences are not addressed in existing ROC GAAP, and the cost of compensated absences is usually recognized in the year of disbursement.

Under IFRSs, the expected cost of short-term vacation leave credit should be recognized as the employees render service that increases their entitlement or, in the case of noncumulative vacation leave credits, when the vacation leaves are taken.

Accordingly, as of December 31, 2012 and January 1, 2012, the adjustment resulted in an increase of payroll payable (under accrued expenses) by \$2,755 thousand and \$2,963 thousand, respectively; an increase of deferred income tax assets by \$536 thousand and \$587 thousand, respectively; a decrease of cumulative translation adjustments by \$18 thousand and \$43

thousand, respectively. For the year ended December 31, 2012, the adjustment resulted in a decrease of consolidated income by \$132 thousand (net of \$42 thousand tax effect), as of January 1, 2012 the adjustment resulted in a decrease of retained earning by \$2,332 thousand (net of \$587 thousand tax effect).

j) Actuarial pension gain or loss under the defined benefit plan

Under ROC GAAP, actuarial pension gain or loss shall be amortized using the corridor method and the amortization shall be included in net pension costs. The minimum amount of amortization shall be that excess divided by the average remaining service period of those employees who are still in service and expected to receive pension benefits.

Accordingly, as of December 31, 2012, and January 1, 2012, the Group elected to recognize all cumulative actuarial losses relating to employee benefits of \$25,420 thousand in retained earnings at the date of transition to IFRSs, and recognized pension costs of \$3,435 thousand in accordance with the actuarial report. As of December 31, 2012 and January 1, 2012, foregoing adjustment also resulted in an increase of accrued pension costs by \$26,715 thousand and \$28,855 thousand, respectively; an increase of deferred income tax assets by \$4,542 thousand and \$4,905 thousand; a decrease of retained earnings by \$2,852 thousand (net of \$583 thousand tax effect). For the year ended December 31, 2012, the adjustment resulted in an increase of consolidated income by \$1,777 thousand (net of \$363 thousand tax effect).

k) Minimum pension liability

Minimum pension liability is the minimum amount of pension liability that is required to be recognized on the balance sheet. If the accrued pension liability recorded on the books is less than the minimum amount, the difference shall be recognized by crediting accrued pension costs.

However, minimum pension liability is not addressed in IFRSs.

Accordingly, as of December 31, 2012 and January 1, 2012, the adjustment resulted in a decrease of accrued pension costs and net loss not yet recognized as pension costs both by \$10,522 thousand and \$18,205 thousand on each date.

e. Description of the significant cash flow adjustments

Time deposits that can be readily cancelled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal meet the definition of cash in accordance with ROC GAAP. However, under IAS 7 "Statement of Cash Flows", cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Therefore, time deposits with a carrying amount of \$117,054 thousand and \$23,356 thousand as of December 31, 2012, and January 1, 2012, respectively, held by the Group were for investment purposes and thus no longer classified as cash under IFRSs.

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7 "Statement of Cash Flows", cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests and dividends received and interest paid by the Group were \$22,115 thousand, \$198 thousand and \$54,010 thousand, respectively, for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

Except for the above differences, there are no other significant differences between ROC GAAP and IFRSs in the consolidated statement of cash flows.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance (Notes 2 and 6)	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
												Item	Value		
0	GEM Terminal Ind. Co., Ltd. (the "Company")	Global (Cayman)	Other receivables - related parties	Yes	\$ 148,300 (US\$ 5,000 thousand)	\$ -	2.80	Short-term financing	\$ -	Operating capital	\$ -	\$ -	\$ -	\$ 585,882 (Note 1)	\$ 1,171,765 (Note 1)
		Vibo	Other receivables - related parties	Yes	149,900 (US\$ 5,000 thousand)	148,850 (US\$ 5,000 thousand) (Note 3)	2.80	Short-term financing	-	Operating capital	-	-	-	585,882 (Note 1)	1,171,765 (Note 1)
1	Vibo	GEM (Suzhou)	Other receivables - related parties	Yes	29,820 (US\$ 1,000 thousand)	-	2.80	Short-term financing	-	Operating capital	-	-	-	597,322 (Note 1)	1,194,644 (Note 1)
		GEM (Dongguan)	Other receivables - related parties	Yes	149,900 (US\$ 5,000 thousand)	148,850 (US\$ 5,000 thousand) (Note 4)	2.80	Short-term financing	-	Operating capital	-	-	-	597,322 (Note 1)	1,194,644 (Note 1)
2	Global (Cayman)	Global (HK)	Other receivables - related parties	Yes	11,992 (US\$ 400 thousand)	11,908 (US\$ 400 thousand) (Note 5)	2.00	Short-term financing	-	Operating capital	-	-	-	601,441 (Note 1)	1,202,882 (Note 1)
		GEM (Dongguan)	Other receivables - related parties	Yes	97,380 (RMB20,000 thousand)	-	4.50	Short-term financing	-	Operating capital	-	-	-	601,441 (Note 1)	1,202,882 (Note 1)
		GEM Terminal	Other receivables - related parties	Yes	74,950 (US\$ 2,500 thousand)	-	2.80	Short-term financing	-	Operating capital	-	-	-	601,441 (Note 1)	1,202,882 (Note 1)

Note 1: Under the Company's and the subsidiaries' "Operational Procedures for Loaning Funds to Others," if short-term financing is needed, total amounts of these financings should not exceed 40 percent of the Company's and the subsidiaries' stockholders' equity, and individual financing should not exceed 20 percent of the Company's and the subsidiaries' stockholders' equity.

Note 2: The conversion rates on December 31, 2013 were US\$1.0000: NT\$29.77.

Note 3: The amount that had been used as of December 31, 2013 was \$29,770 thousand (US\$1,000 thousand).

Note 4: The amount that had been used as of December 31, 2013 was \$59,540 thousand (US\$2,000 thousand).

Note 5: The amount that had been used as of December 31, 2013 was \$11,908 thousand (US\$400 thousand).

Note 6: It was eliminated on consolidation.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2013				Note	
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value		
GEM Terminal Ind. Co., Ltd. (the "Company")	<u>Callable preferred stock with interest</u>								
	Goldman Sachs Gp \$25 Par Senior Notes 6.5% Due 11/1/2061		Financial assets designated as at fair value through profit or loss - current	7,000	\$ 5,258	-	\$ 5,258		
	Roy Bk Scotland Grp Plc Ser T 07.25% perpetual		Financial assets designated as at fair value through profit or loss - current	5,000	3,572	-	3,572		
	USD Standard Chart Reg S 9.5% Perpetual		Financial assets designated as at fair value through profit or loss - current	1,000	3,190	-	3,190		
						<u>\$ 12,020</u>		<u>\$ 12,020</u>	
	<u>Stock</u>								
	Cheng Shin Rubber Ind. Co., Ltd.			Available-for-sale financial assets - current	88,000	\$ 6,864	-	\$ 6,864	
	Fubon Financial Holding Co., Ltd.			Available-for-sale financial assets - current	135,000	5,886	-	5,886	
	Wistron Corporation			Available-for-sale financial assets - current	230,000	5,762	-	5,762	
	Mega Financial Holding Company Ltd.			Available-for-sale financial assets - current	135,796	3,408	-	3,408	
	China Mobile Ltd.			Available-for-sale financial assets - current	9,000	2,779	-	2,779	
	Simplo Technology Co., Ltd.			Available-for-sale financial assets - current	20,000	2,640	-	2,640	
	Daphne International Holdings Ltd.			Available-for-sale financial assets - current	120,000	1,608	-	1,608	
	Uni-President China Holdings			Available-for-sale financial assets - current	46,000	1,396	-	1,396	
	Taishin Financial Holding Co., Ltd.			Available-for-sale financial assets - current	90,672	1,328	-	1,328	
	Chinatrust Financial Holding Company Ltd.			Available-for-sale financial assets - current	50,000	1,018	-	1,018	
	Acer Technology Co., Ltd.			Available-for-sale financial assets - current	50,000	915	-	915	
	Bank of America Corporation			Available-for-sale financial assets - current	1,500	695	-	695	
	Lenovo Group			Available-for-sale financial assets - current	18,000	652	-	652	
	Hua Eng Wrie & Cable Co., Ltd.			Available-for-sale financial assets - current	55,000	638	-	638	
	Cathay Financial Holding Co., Ltd.			Available-for-sale financial assets - current	11,693	564	-	564	
	Sing Kong Financial Holding Co., Ltd.			Available-for-sale financial assets - current	50,248	518	-	518	
	First Financial Holding Co., Ltd.			Available-for-sale financial assets - current	23,000	427	-	427	
	China Construction Bank			Available-for-sale financial assets - current	16,000	360	-	360	
	Citigroup Inc Com New			Available-for-sale financial assets - current	220	341	-	341	
	Industrial & Commercial Bank of China			Available-for-sale financial assets - current	15,000	302	-	302	
	Agricultural Bank of China			Available-for-sale financial assets - current	20,000	293	-	293	
	Glencore International Plc			Available-for-sale financial assets - current	1,900	293	-	293	
	Hon Hai Precision Ind. Co., Ltd.			Available-for-sale financial assets - current	2,000	160	-	160	
	Geely Holding Group			Available-for-sale financial assets - current	5,000	72	-	72	
	Chang Hwa Bank			Available-for-sale financial assets - current	700	12	-	12	
						<u>\$ 38,931</u>	-	<u>\$ 38,931</u>	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2013				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
	Beneficial certificate							
	Prudential AM WISE-CSI 300 China		Available-for-sale financial assets - current	17,200	\$ 1,658	-	\$ 1,658	
	Boci Prudential AM WISE - CSI 300 China		Available-for-sale financial assets - current	75,000	951	-	951	
	Morgan Stanley China A Sh Fd Inc Equity 100%		Available-for-sale financial assets - current	1,000	709	-	709	
	Ishares Asia Trust ETF UNITS		Available-for-sale financial assets - current	17,200	617	-	617	
	Hang Seng H-Share Index Etf		Available-for-sale financial assets - current	200	84	-	84	
					<u>\$ 4,019</u>		<u>\$ 4,019</u>	

(Concluded)

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Non-arm's Length Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
Genius (HK)	GEM Terminal Ind. Co., Ltd. (the "Company")	Parent	Sales	\$ 571,667 (HK\$149,330 thousand) (Note 1)	37	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	\$ 164,490 (HK\$42,825 thousand) (Note 2)	39	Note3
GEM Terminal Ind. Co., Ltd. (the "Company")	Genius (HK)	Subsidiary	Purchases	(571,667) (HK\$(149,330 thousand) (Note 1)	(78)	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	(164,490) (HK\$(42,825 thousand) (Note 2)	(85)	Note3
Genius (HK)	GEM (Dongguan)	Affiliate	Sales	105,773 (HK\$27,609 thousand) (Note 1)	7	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	13,365 (HK\$3,480 thousand) (Note 2)	3	Note3
GEM (Dongguan)	Genius (HK)	Affiliate	Purchases	(105,773) (HK\$(27,609 thousand) (Note 1)	(7)	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	(13,365) (HK\$(3,480 thousand) (Note 2)	(4)	Note3
GEM (Dongguan)	Genius (HK)	Affiliate	Sales	1,423,808 (HK\$310,708 thousand and US\$7,485 thousand) (Note 1)	74	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	155,638 (HK\$32,558 thousand and US\$998 thousand) (Note 2)	45	Note3
Genius (HK)	GEM (Dongguan)	Affiliate	Purchases	(1,423,808) (HK\$(310,708 thousand and US\$(7,485 thousand) (Note 1)	(97)	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	(155,638) (HK\$(32,558 thousand and US\$(998 thousand) (Note 2)	(96)	Note3
GEM (Suzhou)	Global (HK)	Affiliate	Sales	356,617 (HK\$9,086 thousand and US\$10,748 thousand) (Note 1)	18	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	46,758 (HK\$423 thousand and US\$1,507 thousand) (Note 2)	8	Note3
Global (HK)	GEM (Suzhou)	Affiliate	Purchases	(356,617) (HK\$(9,086 thousand and US\$(10,748 thousand) (Note 1)	(97)	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	(46,758) (HK\$(423 thousand and US\$(1,507 thousand) (Note 2)	(100)	Note3

Note 1: The average conversion rates for 2013 were HK\$1.0000: NT\$3.828 and US\$1.0000: NT\$29.68.

Note 2: The conversion rates on December 31, 2013 were HK\$1.0000: NT\$3.841; and US\$1.0000: NT\$29.77.

Note 3: It was eliminated on consolidation.

**GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2013**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Impairment Loss
					Amount	Actions Taken		
Genius (HK)	GEM Terminal Ind. Co., Ltd. (the "Company")	Subsidiary	\$ 164,490 ( HK\$ 42,825 thousand )	3.89	\$ -	-	\$ 120,951	\$ -
GEM (Dongguan)	Genius (HK)	Affiliate	155,638 ( HK\$ 32,558 thousand and US\$ 998 thousand )	11.79	-	-	155,638	-

Note 1: The conversion rates on December 31, 2013 were HK\$1.0000:NT\$3.841 and US\$1.000:NT\$29.77.

Note 2: It was eliminated consolidation.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2013			Ownership % × Net Worth of Investees	Net Income (Loss) of the Investee	Share of profit (Loss)	Earnings Appropriation		Note
				December 31, 2013 (Foreign Currencies in Thousands)	December 31, 2012 (Foreign Currencies in Thousands)	Shares/Units	Percentage of Ownership	Carrying Amount				Stock	Cash	
GEM Terminal Ind. Co., Ltd. (the "company")	Global (Cayman)	Grand Cayman, Cayman Islands	International investment	\$ 1,295,208 (US\$ 40,137)	\$ 1,142,950 (US\$ 35,037)	40,137,184	100	\$ 2,913,507	\$ 2,913,507	\$ 5,578	\$ 5,578	\$ -	\$ -	Note 2
	Genius Terminal	British Virgin Islands	International investment and trading, etc.	23,282 (US\$ 750)	23,282 (US\$ 750)	750,000	100	72,326	72,326	8,283	8,283	-	-	Note 2
	GEM Terminal (Cayman)	Grand Cayman, Cayman Islands	International investment	118,957 (US\$ 4,010)	30,254 (US\$ 1,000)	4,010,000	100	114,735	114,735	(268)	(268)	-	-	Note 2
								<u>\$ 3,100,568</u>	<u>\$ 3,100,568</u>	<u>\$ 13,593</u>	<u>\$ 13,593</u>			
Genius Terminal	Genius (HK)	Hong Kong	International trading	90,134 (HK\$ 22,000)	90,134 (HK\$ 22,000)	21,999,998	100	\$ 89,410	\$ 89,410	\$ 8,310	\$ 8,310	-	-	Note 2
Global (Cayman)	Vibo	Hong Kong	Investment and trading	1,541,063 (HK\$ 359,973)	1,388,805 (HK\$ 320,427)	359,972,616	100	\$ 2,986,606	\$ 2,986,606	\$ 4,770	\$ 4,770	-	-	Note 2
	Global (HK)	Hong Kong	International trading	3,747 (HK\$ 1,000)	3,747 (HK\$ 1,000)	1,000,000	100	5,979	5,979	(1,971)	(1,971)	-	-	Note 2
								<u>\$ 2,992,585</u>	<u>\$ 2,992,585</u>	<u>\$ 2,799</u>	<u>\$ 2,799</u>			
GEM Terminal (Cayman)	Rui Zhan Hardware VN	Vietnam	Production of hardware; machine processing; electroplating for hardware processing; production and processing of molds and related accessories; plastic products and related plastic accessory production;	86,076 (US\$ 2,910)	27,136 (US\$ 910)	-	100	\$ 84,540	\$ 84,540	\$ (64)	\$ (64)	-	-	Note 2
Vibo	You Mao	Hong Kong	International trading	Note1	Note1	-	100	\$ -	\$ -	\$ -	\$ -	-	-	Note 2

Note 1: The Company has not yet remitted the investment to You Mao.

Note 2: It was eliminated on consolidation.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2013

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2013	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2013 (Notes 1 and 2)	Accumulated Repatriation of Investment Income as of December 31, 2013
					Outward	Inward						
GEM (Dongguan)	Production and sale of terminals, electric appliance plugs and plastic hardware, terminal crimping machines, molds, computer inserts, electroplating for hardware accessories, ceramic ferrules for optical fiber connection, and machine for hardware, electronics, plastics products manufacturing. Wholesale and import / export terminals, electrical parts, computer plug, mold terminal crimping machine, electronic hardware plastic machinery, copper strips, copper (excluding state trading commodities, and which involves quota license management, special regulation management follow relevant regulations).	\$ 832,507 (RMB 169,467)	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	\$ 344,332 (US\$ 10,559 thousand)	\$ 107,798 (US\$ 3,600 thousand)	\$ -	\$ 452,130 (US\$ 14,159 thousand)	\$ (6,181)	100	\$ (6,181) (US\$ (206) thousand)	\$ 1,002,086 (US\$ 33,661 thousand)	\$ -
GEM (Suzhou)	Manufacture of new electronic components and devices (e.g., Opto-Electronic devices and new mechanical/electric components); design and manufacture of stamping molds with the precision that is equal to or greater than 0.02 mm, plastic molds with the precision that is equal to or greater than 0.05 mm, and standard molds; development and production of construction hardware, water heater parts, and general hardware; manufacture of heat-resistant thermal insulation (insulation class: F or H) and insulation molding parts; production of inorganic nonmetal materials and products (special ceramics); development and production of materials for the specific use in semiconductor components and devices; components, devices, and materials for new instrumentation plug-ins (inserts and functional parts of instrument); terminal crimping machines; and equipment for the specific use in electronics and electric appliances and electroplating of hardware accessories; and sale of the Company's own products ; and wholesale and export the similar kind of products as the Company owns and metal materials ( excluding precious metals ) but not involving state trading commodities, which involves quota and license management products follows relevant Government regulations.	1,231,460 (RMB 250,679)	The investment was made through a corporation established in a third country to invest in companies located in Mainland China.	696,860 (US\$ 21,500 thousand)	44,460 (US\$ 1,500 thousand)	-	741,320 (US\$ 23,000 thousand)	12,145	100	12,145 (US\$ 412 thousand)	2,012,862 (US\$ 67,614 thousand)	-
							\$ 1,193,450 (US\$ 37,159 thousand)					

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$1,193,450 (US\$37,159 thousand)	\$1,687,959 (US\$56,700 thousand)	\$1,757,648

Note 1: The conversion rates on December 31, 2013 were RMB1.0000: NT\$4.9125 and US\$1.0000: NT\$29.77.

Note 2: Amount was recognized based on the audited financial statement.

Note 3 Under the "Principles Governing the Review of Investments or Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, the maximum amount that can be invested in companies located in mainland China is 60% of the Company's net value.

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE YEARS YEAR ENDED DECEMBER 31, 2013 AND 2012

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets	Note
				Financial Statement Item	Amount	Terms		
0	GEM Terminal	Genius (HK)	1	Sales	\$ 43,228	Payment terms are four months, no comparable transactions	1	Note 1
		Genius (HK)	1	Property, plant and equipment for sale - current	60,304	Payment terms are four months, no comparable transactions	1	Note 1
		Genius (HK)	1	Other receivable	6,552	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Suzhou)	1	Sales	64,347	Payment terms are four months, no comparable transactions	2	Note 1
		GEM (Suzhou)	1	Property, plant and equipment for sale - current	52,266	Payment terms are four months, no comparable transactions	1	Note 1
		GEM (Suzhou)	1	Expense of patent right	696	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Dongguan)	1	Property, plant and equipment for sale - current	45,279	Payment terms are four months, no comparable transactions	1	Note 1
		Global (HK)	1	Sales	10,683	Payment terms are four months, no comparable transactions	-	Note 1
		Global (HK)	1	Property, plant and equipment for sale - current	59,521	Payment terms are four months, no comparable transactions	1	Note 1
		Global (HK)	1	Other receivable	33,087	Payment terms are four months, no comparable transactions	1	Note 1
		Global (HK)	1	Accounts receivable	2,217	Payment terms are four months, no comparable transactions	-	Note 1
		1	GEM (Dongguan)	Genius (HK)	3	Sales	1,423,808	Payment terms are four months, no comparable transactions
Genius (HK)	3			Accounts receivable	155,638	Payment terms are four months, no comparable transactions	3	Note 1
GEM (Suzhou)	3			Sales	5,532	Payment terms are four months, no comparable transactions	-	Note 1
GEM (Suzhou)	3			Accounts receivable	4,699	Payment terms are four months, no comparable transactions	-	Note 1
GEM (Suzhou)	3			Property, plant and equipment	4,898	Payment terms are four months, no comparable transactions	-	Note 1
GEM Terminal	2			Sales	68	Payment terms are four months, no comparable transactions	-	Note 1
2	Genius (HK)	GEM Terminal	2	Sales	571,667	Payment terms are four months, no comparable transactions	14	Note 1
		GEM Terminal	2	Accounts receivable	164,490	Payment terms are four months, no comparable transactions	3	Note 1
		GEM Terminal	2	Other receivable	13,843	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Dongguan)	3	Sales	105,773	Payment terms are four months, no comparable transactions	3	Note 1
		GEM (Dongguan)	3	Accounts receivable	13,365	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Dongguan)	3	Other receivable	406	Payment terms are four months, no comparable transactions	-	Note 1
3	Global (HK)	GEM Terminal	2	Sales	61,921	Payment terms are four months, no comparable transactions	2	Note 1
		GEM Terminal	2	Accounts receivable	2,537	Payment terms are four months, no comparable transactions	-	Note 1
		GEM (Suzhou)	3	Sales	71,753	Payment terms are four months, no comparable transactions	2	Note 1
		GEM (Suzhou)	3	Accounts receivable	1,681	Payment terms are four months, no comparable transactions	-	Note 1
4	GEM (Suzhou)	GEM Terminal	2	Sales	29,519	Payment terms are four months, no comparable transactions	1	Note 1
		Global (HK)	3	Sales	356,617	Payment terms are four months, no comparable transactions	9	Note 1
		Global (HK)	3	Accounts receivable	46,758	Payment terms are four months, no comparable transactions	1	Note 1
		GEM (Dongguan)	3	Sales	76,681	Payment terms are four months, no comparable transactions	2	Note 1
		GEM (Dongguan)	3	Accounts receivable	49,773	Payment terms are four months, no comparable transactions	1	Note 1
		GEM (Dongguan)	3	Property, plant and equipment	7,407	Payment terms are four months, no comparable transactions	-	Note 1

Note 1: It was eliminated on consolidation.

Note 2: 1) Parent to subsidiary  
2) Subsidiary to parent  
3) Subsidiary to subsidiary

## GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

## RECONCILIATION OF CONSOLIDATED BALANCE SHEET

January 1, 2012

(In Thousands of New Taiwan Dollars)

ASSETS						LIABILITIES AND STOCKHOLDERS' EQUITY							
ROC GAAP		EFFECTS OF TRANSITION		IFRSs		ROC GAAP		EFFECTS OF TRANSITION		IFRSs			
ITEMS	AMOUNT	PRESENTATION INCONSISTENCY	RECOGNITION OR MEASUREMENT INCONSISTENCY	AMOUNT	ITEMS	NOTE (Note 1)	ITEMS	AMOUNT	PRESENTATION INCONSISTENCY	RECOGNITION OR MEASUREMENT INCONSISTENCY	AMOUNT	ITEMS	NOTE (Note 1)
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash	\$ 1,545,369	\$ (23,356 )	\$ -	\$ 1,522,013	Cash	(1)	Short-term loans	\$ 709,269	\$ -	\$ -	\$ 709,269	Short-term loans	
Financial assets at fair value through profit or loss - current	37,395	-	-	37,395	Financial assets at fair value through profit or loss - current		Financial liabilities at fair value through profit or loss - current	1,499	-	-	1,499	Financial liabilities at fair value through profit or loss - current	
Available-for-sale financial assets-current	27,620	-	-	27,620	Available-for-sale financial assets-current		Notes payable	31,039	-	-	31,039	Notes payable	
-	-	23,356	-	23,356	Bond investments with no active market	(1)	Accounts payable	335,212	-	-	335,212	Accounts payable	
Notes receivable	146,019	-	-	146,019	Notes receivable		Accrued expenses	164,009	50,361	2,963	217,333	Other payables	(9), Note 2 and Note 3
Accounts receivable, net	1,252,464	-	-	1,252,464	Accounts receivable, net		Income tax payable	25,315	-	-	25,315	Income tax liabilities	
Tax refundable	15,551	-	-	15,551	Tax refundable		Long-term debts - current portion	365,074	-	-	365,074	Long-term debts - current portion	
Other receivable	19,625	-	-	19,625	Other receivable		Other current liabilities	54,711	(50,361 )	-	4,350	Other current liabilities	Note 3
Refundable deposits - current	33,436	-	-	33,436	Other financial assets-current		Total current liabilities	1,686,128	-	2,963	1,689,091		
Inventories	512,766	-	-	512,766	Inventories								
Deferred income tax assets - current	10,469	(10,469 )	-	-	-	(2) and (3)	LONG-TERM DEBTS	702,465	-	-	702,465	LONG-TERM DEBTS	
Other current assets	80,967	1,575	-	82,542	Other current assets	(6)	RESERVE FOR LAND VALUE INCREMENT TAX	7,398	(7,398 )	-	-		(4)
Total current assets	3,681,681	(8,894 )	-	3,672,787									
<b>PROPERTY, PLANT AND EQUIPMENT</b>							<b>OTHER LIABILITIES</b>						
Cost	2,616,921	-	36,456	2,653,377	Cost		Accrued pension cost	74,739	-	10,650	85,389	Pension benefit obligations	(10) and (11)
Revaluation increment - land	36,456	-	(36,456 )	-	-		Deferred income tax liabilities	52,602	8,406	-	61,008	Deferred income tax liabilities	(2), (3) and (4)
Accumulated depreciation	(1,077,969 )	-	-	(1,077,969 )	Accumulated depreciation		Total other liabilities	127,341	8,406	10,650	146,397		
	1,575,408	-	-	1,575,408			Total liabilities	2,523,332	1,008	13,613	2,537,953	Total liabilities	
Construction in progress	57,744	-	-	57,744	Construction in progress								
Prepayments for equipment	30,526	(30,526 )	-	-	-	(5)	STOCKHOLDERS' EQUITY						
Total property, plant and equipment, net	1,663,678	(30,526 )	-	1,663,152	Total property, plant and equipment		Common stock	1,715,980	-	-	1,715,980	Common stock	
							Capital surplus	270,187	-	-	270,187	Capital surplus	
							Retained earnings	749,007	-	(498 )	748,509	Retained earnings	(7), (9) and (10)
<b>INTANGIBLE ASSETS</b>							<b>OTHER EQUITY ITEMS</b>						
Land use rights	80,202	80,202	-	-	-	(6)	Unrealized revaluation increment	25,785	-	(25,785 )	-	-	(7)
							Unrealized loss on financial instrument	(1,996 )	-	-	(1,996 )	Unrealized loss on available - for sale financial assets	
<b>OTHER ASSETS</b>							<b>OTHER EQUITY ITEMS</b>						
-	-	30,526	-	30,526	Prepayments for equipment	(5)	Cumulative translation adjustments	202,948	-	(43 )	202,905	Exchange difference	(9)
Refundable deposits - noncurrent	2,895	-	-	2,895	Refundable deposits - noncurrent		Net loss not yet recognized as pension costs	(18,205 )	-	18,205	-	-	(11)
Deferred income tax assets - noncurrent	27,963	11,477	5,492	44,932	Deferred income tax assets	(2), (3), (9) and (10)	Total other equity items	208,532	-	(7,623 )	200,909		
-	-	78,627	-	78,627	Prepayments for long-term rents	(6)	Total stockholders' equity	2,943,706	-	(8,121 )	2,935,585	Total stockholders' equity	
Other assets	10,619	-	-	10,619	Other noncurrent assets	(8)							
Total other assets	41,477	120,630	5,492	167,599									
<b>TOTAL</b>	<b>\$ 5,467,038</b>	<b>\$ 1,008</b>	<b>\$ 5,492</b>	<b>\$ 5,473,538</b>	<b>TOTAL</b>		<b>TOTAL</b>	<b>\$ 5,467,038</b>	<b>\$ 1,008</b>	<b>\$ 5,492</b>	<b>\$ 5,473,538</b>	<b>TOTAL</b>	

Note 1: Refer to Note 30 -d) Exemptions, and e) Explanation of the effects of the adjustments on the transition from ROC GAAP to IFRSs.

Note 2: In accordance with the newly revised "Rules Governing the Preparation of Financial Statements by Securities Issuers", the account Accrued Expenses is combined with Other Payables and are collectively called Other Payables.

Note 3: In accordance with the newly revised "Rules Governing the Preparation of Financial Statements by Securities Issuers", the account Current liabilities - Payable for Equipment \$24,367 thousand and other payable \$25,994 thousand are reclassified to other payables.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars)

ASSETS						LIABILITIES AND STOCKHOLDERS' EQUITY							
ROC GAAP		EFFECTS OF TRANSITION		IFRSs		ROC GAAP		EFFECTS OF TRANSITION		IFRSs			
ITEMS	AMOUNT	PRESENTATION INCONSISTENCY	RECOGNITION OR MEASUREMENT INCONSISTENCY	AMOUNT	ITEMS	NOTE (Note 1)	ITEMS	AMOUNT	PRESENTATION INCONSISTENCY	RECOGNITION OR MEASUREMENT INCONSISTENCY	AMOUNT	ITEMS	NOTE (Note 1)
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash	\$ 2,621,054	\$ (117,054 )	\$ -	\$ 2,504,000	Cash	(1)	Short-term loans	\$ 1,386,144	\$ -	\$ -	\$ 1,386,144	Short-term loans	
Financial assets at fair value through profit or loss - current	110,404	-	-	110,404	Financial assets at fair value through profit or loss - current		Notes payable	21,412	-	-	21,412	Notes payable	
Available-for-sale financial assets-current	28,012	-	-	28,012	Available-for-sale financial assets-current		Accounts payable	431,829	-	-	431,829	Accounts payable	
-	-	219,089	-	219,089	Bond investments with no active market	(1) and Note 2	Accrued expenses	128,412	44,782	2,755	175,949	Other payables	(9), Note 3 and Note 4
Notes receivable	171,259	-	-	171,259	Notes receivable		Income tax payable	9,841	-	-	9,841	Income tax liabilities	
Accounts receivable, net	1,040,107	-	-	1,040,107	Accounts receivable, net		-	-	35	-	35	Provisions-current	Note 4
Tax refundable	4,470	(2,185 )	-	2,285	Tax refundable		Long-term debts - current portion	706,490	-	-	706,490	Long-term debts - current portion	
Other receivable	22,196	-	-	22,196	Other receivable		Other current liabilities	47,707	(44,817 )	-	2,890	Other current liabilities	Note 4
-	-	2,185	-	2,185	Current tax assets		Total current liabilities	2,731,835	-	2,755	2,734,590		
Refundable deposits - current	1,807	-	-	1,807	Other financial assets-current								
Inventories	438,841	-	-	438,841	Inventories		<b>LONG-TERM DEBTS</b>	<b>720,833</b>	<b>-</b>	<b>-</b>	<b>720,833</b>	<b>LONG-TERM DEBTS</b>	
Deferred income tax assets - current	12,901	(12,901 )	-	-	-	(2) and (3)	<b>RESERVE FOR LAND VALUE INCREMENT TAX</b>	7,398	(7,398 )	-	-	-	(4)
Restricted current assets	102,035	(102,035 )	-	-	-	Note 2							
Other current assets	73,999	1,572	-	75,571	Other current assets	(6)	<b>OTHER LIABILITIES</b>						
Total current assets	4,627,085	(11,329 )	-	4,615,756			Accrued pension cost	69,265	-	16,193	85,458	Pension benefit obligations	(10) and (11)
							Deferred income tax liabilities	61,735	8,697	-	70,432	Deferred income tax liabilities	(2), (3) and (4)
							Total other liabilities	131,000	8,697	16,193	155,890		
							Total liabilities	3,591,066	1,299	18,948	3,611,313	Total liabilities	
<b>PROPERTY, PLANT AND EQUIPMENT</b>							<b>STOCKHOLDERS' EQUITY</b>						
Cost	2,688,801	-	36,456	2,725,257	Cost	IFRS1	Common stock	1,715,980	-	-	1,715,980	Common stock	
Revaluation increment - land	36,456	-	(36,456 )	-	-	IFRS1	Capital surplus	270,187	-	-	270,187	Capital surplus	
Accumulated depreciation	(1,184,922 )	-	-	(1,184,922 )	Accumulated depreciation		Retained earnings	696,673	-	1,411	698,084	Retained earnings	(7), (9) and (10)
-	1,540,335	-	-	1,540,335	-								
Construction in progress	21,426	-	-	21,426	Construction in progress		<b>OTHER EQUITY ITEMS</b>						
Prepayments for equipment	83,427	(83,427 )	-	-	-	(5)	Unrealized revaluation increment	25,785	-	(25,785 )	-	-	(7)
Total property, plant and equipment, net	1,645,188	(83,427 )	-	1,561,761	Total property, plant and equipment		Unrealized loss on financial instrument	2,321	-	-	2,321	Unrealized loss on available - for sale financial assets	
							Cumulative translation adjustments	93,997	-	(18 )	93,979	Exchange difference	(9)
							Net loss not yet recognized as pension costs	(10,522 )	-	10,522	-	-	(11)
							Total other equity items	111,581	-	(15,281 )	96,300		
							Total stockholders' equity	2,794,421	-	(13,870 )	2,780,551	Total stockholders' equity	
<b>INTANGIBLE ASSETS</b>													
Land use rights	68,606	(68,606 )	-	-	-	(6)							
<b>OTHER ASSETS</b>													
-	-	83,427	-	83,427	Prepayments for equipment	(5)							
Refundable deposits - noncurrent	1,732	-	-	1,732	Refundable deposits - noncurrent								
Deferred income tax assets - noncurrent	34,119	14,200	5,078	53,397	Deferred income tax assets	(2), (3), (9) and (10)							
-	-	67,034	-	67,034	Prepayments for long-term rents	(6)							
Other assets	8,757	-	-	8,757	Other noncurrent assets	(8)							
Total other assets	44,608	164,661	5,078	214,347									
<b>TOTAL</b>	<b>\$ 6,385,487</b>	<b>\$ 1,299</b>	<b>\$ 5,078</b>	<b>\$ 6,391,864</b>	<b>TOTAL</b>		<b>TOTAL</b>	<b>\$ 6,385,487</b>	<b>\$ 1,299</b>	<b>\$ 5,078</b>	<b>\$ 6,391,864</b>	<b>TOTAL</b>	

Note 1: Refer to Note 30 -d) Exemptions and e) Explanation of the effects of the adjustments on the transition from ROC GAAP to IFRSs.

Note 2: In accordance with the newly revised "Rules Governing the Preparation of Financial Statements by Securities Issuers", the account Restricted cash \$102,035 thousand are reclassified to Bond investments with no active market.

Note 3: In accordance with the newly revised "Rules Governing the Preparation of Financial Statements by Securities Issuers", the account Accrued Expenses is combined with Other Payables and are collectively called Other Payables.

Note 4: In accordance with the newly revised "Rules Governing the Preparation of Financial Statements by Securities Issuers", the account Current liabilities - Payable for Equipment \$21,772 thousand and other payable \$23,010 thousand are reclassified to other payables; the account Current liabilities-Payable \$35 thousand is reclassified to Provisions-current.

GEM TERMINAL IND. CO., LTD. AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(In Thousands of New Taiwan Dollars)

ROC GAAP		Effects of Transition		IFRSs		Note
Items	Amount	Presentation Difference	Recognition or Measurement Difference	Amount	Items	
OPERATING REVENUE, NET	\$ 3,918,873	\$ -	\$ -	\$ 3,918,873	OPERATING REVENUE, NET	
OPERATING COSTS	3,331,655	-	(456)	3,331,199	OPERATING COSTS	(9) and (10)
GROSS PROFIT	587,218	-	456	587,674	GROSS PROFIT	
OPERATING EXPENSES					OPERATING EXPENSES	
Selling	140,610	-	(249)	140,361	Selling	(9) and (10)
General and administrative	214,736	-	(876)	213,860	General and administrative	(9) and (10)
Research and development	42,935	-	(733)	42,202	Research and development	(9) and (10)
Total operating expenses	398,281	-	(1,858)	396,423	Total operating expenses	
OPERATING INCOME	188,937	-	2,314	191,251	OPERATING INCOME	
NONOPERATING INCOME AND GAINS					NONOPERATING INCOME AND GAINS	
Interest income	27,132	-	-	27,132	Interest income	
Miscellaneous income	7,772	-	-	7,772	Other income and gains	
Total nonoperating income and gains	34,904	-	-	34,904	Total nonoperating income and gains	
NONOPERATING EXPENSES AND LOSSES					NONOPERATING EXPENSES AND LOSSES	
Interest expense	55,149	-	-	55,149	Finance costs	
Losses on exchange, net	17,863	-	-	17,863	Losses on exchange, net	
Miscellaneous expenses	5,161	-	-	5,161	Other expenses and losses	
Total nonoperating expenses and losses	78,173	-	-	78,173	Total nonoperating expenses and losses	
CONSOLIDATED INCOME BEFORE INCOME TAX	145,668	-	2,314	147,982	CONSOLIDATED INCOME BEFORE INCOME TAX	(9) and (10)
INCOME TAX	60,724	-	405	61,129	INCOME TAX	(9) and (10)
CONSOLIDATED NET INCOME	\$ 84,944	\$ -	\$ 1,909	86,853	CONSOLIDATED NET INCOME	
				(108,926)	EXCHANGE DIFFERENCES ARISING ON TRANSITION OF FOREIGN OPERATIONS	
				4,966	AVAILABLE-FOR-SALE FINANCIAL ASSETS, UNREALIZED GAINS AND LOSSES	
				(649)	OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX	
				\$ (17,756)	TOTAL COMPREHENSIVE INCOME	

Note: Refer to Note 30 - d) Exemptions and e) Explanations of the effects of the adjustments on the transition from ROC GAAP to IFRSs.