

GEM Terminal Ind. Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

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

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

We conducted our audits in accordance with 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 parent company only financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the parent company only financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall parent company only financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its 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.

The accompanying schedules of major accounting items of the Company as of and for the year ended December 31, 2013 are presented for the purpose of additional analysis. Such schedules have been subjected to the auditing procedures described in the second paragraph. In our opinion, such schedules are consistent, in all material respects, with the financial statements referred to in the first paragraph.

March 26, 2014

Notice to Readers

The accompanying parent company only financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying 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 auditors' report and financial statements shall prevail.

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY 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	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6 and 23)	\$ 761,826	16	\$ 862,899	19	\$ 770,143	17	Short-term borrowings (Notes 14, 23 and 24)	\$ -	-	\$ -	-	\$ 37,031	1
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 23)	12,292	-	110,404	3	36,400	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	1	Notes payable (Notes 15 and 23)	15,797	1	21,412	1	31,039	1
Debt investments with no active market - current (Notes 9 and 23)	-	-	-	-	23,356	1	Accounts payable (Notes 15 and 23)	10,533	-	16,695	-	142,266	3
Notes receivable (Notes 10 and 23)	65,048	1	54,679	1	54,000	1	Accounts payable to related parties (Notes 23 and 24)	167,027	4	135,393	3	75,183	2
Accounts receivable, net (Notes 10 and 23)	238,832	5	213,781	5	184,614	4	Other payables (Notes 16 and 23)	56,049	1	46,136	1	51,493	1
Accounts receivable from related parties (Notes 23 and 24)	2,217	-	8,463	-	25,300	1	Other payables to related parties (Notes 23 and 24)	13,843	-	-	-	-	-
Tax refundable	1,481	-	2,285	-	5,032	-	Current tax liabilities (Note 4)	3,867	-	1,887	-	6,029	-
Other receivables (Note 23)	508	-	126	-	11,622	-	Provisions - current (Note 4)	41	-	15	-	-	-
Other receivables from related parties (Notes 23 and 24)	69,964	2	10,461	-	45,685	1	Long-term borrowings - current portion (Notes 14, 23 and 24)	570,833	12	706,490	16	357,500	8
Current tax assets (Note 4)	2,185	-	2,185	-	-	-	Other current liabilities	666	-	723	-	725	-
Inventories (Notes 4 and 11)	61,169	1	48,494	1	96,624	2	Total current liabilities	838,970	18	928,751	21	702,765	16
Other financial assets - current (Notes 4 and 23)	15,215	-	51	-	5,850	-	NONCURRENT LIABILITIES						
Other current assets	21,657	1	18,156	-	16,937	-	Long-term borrowings (Notes 14, 23 and 24)	984,566	20	720,833	16	702,465	16
Total current assets	1,295,344	27	1,359,996	30	1,303,183	29	Accrued pension liabilities (Notes 4 and 17)	85,094	2	85,458	2	85,389	2
NONCURRENT ASSETS							Deferred income tax liabilities (Notes 4 and 20)	7,926	-	8,142	-	7,849	-
Investments accounted for using the equity method (Notes 4 and 12)	3,100,568	64	2,705,404	60	2,669,305	60	Total noncurrent liabilities	1,077,586	22	814,433	18	795,703	18
Property, plant and equipment (Notes 4, 13, 24 and 25)	346,349	7	371,130	8	409,950	9	Total liabilities	1,916,556	40	1,743,184	39	1,498,468	34
Deferred income tax assets (Notes 4 and 20)	42,094	1	43,145	1	31,651	1	EQUITY (Note 18)						
Prepayments for equipment (Note 25)	60,147	1	41,388	1	14,159	1	Capital stock	1,715,980	35	1,715,980	38	1,715,980	39
Refundable deposits - noncurrent (Notes 4 and 23)	170	-	170	-	1,270	-	Capital surplus	270,187	6	270,187	6	270,187	6
Other noncurrent assets	1,297	-	2,502	-	4,535	-	Retained earnings	673,334	14	698,084	15	748,509	17
Total noncurrent assets	3,550,625	73	3,163,739	70	3,130,870	71	Others	269,912	5	96,300	2	200,909	4
TOTAL	\$ 4,845,969	100	\$ 4,523,735	100	\$ 4,434,053	100	Total equity	2,929,413	60	2,780,551	61	2,935,585	66
							TOTAL	\$ 4,845,969	100	\$ 4,523,735	100	\$ 4,434,053	100

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

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2013		2012	
	Amount	%	Amount	%
GROSS OPERATING REVENUE (Notes 4 and 24)	\$ 967,155	100	\$ 979,399	100
LESS: SALES RETURNS	4,670	-	3,656	-
SALES ALLOWANCES	<u>66</u>	<u>-</u>	<u>147</u>	<u>-</u>
OPERATING REVENUE, NET	962,419	100	975,596	100
OPERATING COSTS (Notes 4, 11, 19 and 24)	<u>831,449</u>	<u>86</u>	<u>873,193</u>	<u>89</u>
GROSS PROFIT	130,970	14	102,403	11
UNREALIZED GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES (Note 24)	(5,585)	-	(3,993)	-
REALIZED GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES (Note 24)	<u>3,993</u>	<u>-</u>	<u>2,782</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>129,378</u>	<u>14</u>	<u>101,192</u>	<u>11</u>
OPERATING EXPENSES (Notes 4, 19 and 24)				
Marketing	19,245	2	21,573	2
General and administrative	70,256	7	79,491	8
Research and development	<u>42,300</u>	<u>5</u>	<u>42,202</u>	<u>5</u>
Total operating expenses	<u>131,801</u>	<u>14</u>	<u>143,266</u>	<u>15</u>
LOSS FROM OPERATIONS	<u>(2,423)</u>	<u>-</u>	<u>(42,074)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 19 and 24)				
Other income	19,136	2	16,193	2
Other gains and losses	17,887	2	(8,733)	(1)
Finance costs	(27,094)	(3)	(24,953)	(3)
Share of profits of subsidiaries	<u>13,593</u>	<u>1</u>	<u>143,401</u>	<u>15</u>
Total non-operating income and expenses	<u>23,522</u>	<u>2</u>	<u>125,908</u>	<u>13</u>
INCOME BEFORE INCOME TAX	21,099	2	83,834	9
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 20)	<u>6,381</u>	<u>-</u>	<u>(3,019)</u>	<u>-</u>

(Continued)

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2013		2012	
	Amount	%	Amount	%
NET INCOME	<u>\$ 14,718</u>	<u>2</u>	<u>\$ 86,853</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 18 and 20)				
Exchange differences on translating foreign operations	175,156	18	(108,926)	(11)
Unrealized gain (loss) on available-for-sale financial assets	(2,003)	-	4,966	-
Income tax benefit (expense) relating to components of other comprehensive income	<u>459</u>	<u>-</u>	<u>(649)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>173,612</u>	<u>18</u>	<u>(104,609)</u>	<u>(11)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 188,330</u>	<u>20</u>	<u>\$ (17,756)</u>	<u>(2)</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 parent company only financial statements.

(Concluded)

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock		Capital Surplus- Share Issuance in Excess of Par	Legal Reserve	Retained Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity		Total Equity
	Shares (In Thousands)	Amount			Unappropriated Earnings	Total		Exchange Differences on Translating Foreign Operations	Total	
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 parent company only financial statements.

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 21,099	\$ 83,834
Adjustments for:		
Depreciation expense	38,209	38,548
Amortization expense	2,357	2,257
Allowance for doubtful accounts	1,356	879
Valuation loss (gain) on financial instruments at fair value through profit or loss, net	2,521	(232)
Share of profit of subsidiaries	(13,593)	(143,401)
Finance costs	27,094	24,953
Interest income	(4,540)	(5,457)
Dividend income	(1,637)	(198)
Loss (gain) on disposal of property, plant and equipment, net	876	(1,348)
Loss (gain) on sale of investments, net	(14,423)	988
Unrealized gross profit on sales to subsidiaries	5,585	3,993
Realized gross profit on sales to subsidiaries	(3,993)	(2,782)
Recognition of provisions	26	15
Other non-cash items	34,668	17,791
Changes in operating assets and liabilities		
Financial assets held for trading	109,504	(86,491)
Notes receivable	(10,369)	(679)
Accounts receivable	(26,407)	(30,046)
Accounts receivable from related parties	6,246	16,837
Other receivables and tax refundable	427	14,107
Other receivables from related parties	(555)	-
Inventories	(12,675)	48,130
Other current assets	(3,501)	(1,219)
Financial liabilities held for trading	(5,592)	(667)
Notes payable	(5,615)	(9,627)
Accounts payable	(6,162)	(125,571)
Accounts payable to related parties	31,634	60,210
Other payables	6,454	(5,353)
Other payables to related parties	13,843	-
Other current liabilities	(57)	(2)
Accrued pension liabilities	(364)	68
Cash generated from (used in) operations	192,416	(100,463)
Interest received	4,535	5,593
Income tax paid	(3,107)	(15,158)
Net cash generated from (used in) operating activities	<u>193,844</u>	<u>(110,028)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
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)

(Continued)

GEM TERMINAL IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2013	2012
Proceeds from disposal of available-for-sale financial assets	\$ 643,990	\$ 48,172
Disposal of debt investments with no active market	-	23,356
Acquisition of investments accounted for using the equity method	(240,961)	(26,440)
Acquisition of property, plant and equipment	(40,319)	(64,697)
Proceeds from disposal of property, plant and equipment	19,402	38,047
Increase in refundable deposits	(15,164)	-
Decrease in refundable deposits	-	6,912
Increase in other receivables from related parties	(69,409)	-
Decrease in other receivables from related parties	-	42,107
Increase in other noncurrent assets	(1,152)	(224)
Dividend received	<u>1,637</u>	<u>198</u>
Net cash from (used in) investing activities	<u>(356,398)</u>	<u>34,395</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(37,031)
Proceeds from long-term borrowings	760,000	725,000
Repayment of long-term borrowings	(631,667)	(357,500)
Cash dividend	(39,468)	(137,278)
Interest paid	<u>(27,384)</u>	<u>(24,802)</u>
Net cash generated from financing activities	<u>61,481</u>	<u>168,389</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(101,073)	92,756
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>862,899</u>	<u>770,143</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 761,826</u>	<u>\$ 862,899</u>

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

(Concluded)

GEM TERMINAL IND. CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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 parent company only financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying parent company only 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 has 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 standalone 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.

	Effective Date Announced by IASB (Note 1)
<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 Accounts	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014

(Continued)

**Effective Date Announced
by IASB (Note 1)**

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 Company’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 Company 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 Company 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 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.

b) 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 Company or another entity in the same group or the market price of the equity instruments of the Company 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 Company, 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 Company is a related party of the Company. Consequently, the Company 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 parent company only financial statements.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying parent company only financial statements for the year ended December 31, 2013 are the first financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- a. Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

- b. Basis of Preparation

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

When preparing the parent company only financial statements, the Company used equity method to account for its investment in subsidiaries. In order for the amount of net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between parent company only basis and consolidated basis were made to investments accounted for using equity method, share of profits of subsidiaries in the parent company only financial statements.

- 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 Company 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. Foreign currencies

In preparing the parent company only financial statements, 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 parent company only financial statements, the assets and liabilities of the Company 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.

e. Inventories

Inventories consist of merchandise, 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 adjust to approximate weighted-average cost on the balance sheet date.

f. Investments accounted for using the equity method

Investments in subsidiaries are accounted for by the equity method.

Subsidiaries are the entities controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the

subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company discontinues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the subsidiary. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

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 Company 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. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation, or otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

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 is subsequently reversed, 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 of 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 in profit or loss.

i. Financial instruments

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

Financial assets and 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 Company'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 Company 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 (including those from related parties), other receivables (including those from related parties), 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 Company 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 Company 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 Company 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 Company entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company'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 Company'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 Company 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 Company 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company 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 Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company 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 Company 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 Company 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 Company 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 parent company only 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 Company 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 Company 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 Company 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 Company 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 allowance for doubtful accounts was described in Note 10.

b. Fair value of financial instruments

As described in Note 23, the Company 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 Company'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 Company 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 \$346,349 thousand, \$371,130 thousand and \$409,950 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 \$61,169 thousand, \$48,494 thousand and \$96,624 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 Company’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 \$42,094 thousand, \$43,145 thousand and \$31,651 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 \$41 thousand, \$15 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

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	\$ 356	\$ 507	\$ 391
Checking accounts and demand deposits	531,750	496,922	530,205
Cash equivalents			
Time deposits with original maturities less than 3 months	<u>229,720</u>	<u>365,470</u>	<u>239,547</u>
	<u>\$ 761,826</u>	<u>\$ 862,899</u>	<u>\$ 770,143</u>

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

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits (%)	0.94-1.00	0.28-0.94	0.35-1.65

7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading	\$ 272	\$ 106,467	\$ 23,545
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>\$ 36,400</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:

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

The Company 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 Company 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	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/NTD	2012.02.17	USD500/NTD15,077
Sell	HKD/NTD	2012.02.17	HKD3,000/NTD11,641
Sell	USD/NTD	2012.03.19	USD500/NTD14,997
Sell	HKD/NTD	2012.03.19	HKD3,000/NTD11,581

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

	Year Ended December 31	
	2013	2012
Net loss	<u>\$ 2,597</u>	<u>\$ 2,725</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>	
	<u>2013</u>	<u>2012</u>
Net gain	\$ 76	\$ 2,957

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic investments			
Quoted stocks	\$ 30,140	\$ 1,484	\$ 18,752
Mutual funds	951	-	-
Foreign investments			
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,356</u>
Annual interest rate (%)	-	-	1.00

10. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Notes receivable</u>			
Notes receivable - operating	<u>\$ 65,048</u>	<u>\$ 54,679</u>	<u>\$ 54,000</u>
<u>Accounts receivable</u>			
Accounts receivable	\$ 241,970	\$ 215,563	\$ 185,517
Less: Allowance for doubtful accounts	<u>3,138</u>	<u>1,782</u>	<u>903</u>
	<u>\$ 238,832</u>	<u>\$ 213,781</u>	<u>\$ 184,614</u>

a. Accounts receivable

The average credit period of sales of goods was 30-120 days. The Company 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 Company 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	\$ 225,957	\$ 195,079	\$ 160,526
Past due 1-30 days	2,521	1,107	20,680
Past due 31-60 days	12,280	16,457	4,010
Past due 61-90 days	5	2,324	301
Past due 91-180 days	-	596	-
Past due 181-360 days	<u>1,207</u>	<u>-</u>	<u>-</u>
	<u>\$ 241,970</u>	<u>\$ 215,563</u>	<u>\$ 185,517</u>

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

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

	Year Ended December 31	
	2013	2012
Balance, beginning of year	\$ 1,782	\$ 903
Provision	<u>1,356</u>	<u>879</u>
Balance, end of year	<u>\$ 3,138</u>	<u>\$ 1,782</u>

b. Credit risk of notes and accounts receivable

The Company 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:

	December 31, 2013	December 31, 2012	January 1, 2012
Group A	<u>\$ 143,353</u>	<u>\$ 111,666</u>	<u>\$ 61,251</u>

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

11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Merchandise	\$ 22,072	\$ 23,928	\$ -
Raw materials	19,631	8,548	46,150
Supplies	8,799	3,831	2,528
Work in process	4,642	3,759	7,113
Finished goods	<u>6,025</u>	<u>8,428</u>	<u>40,833</u>
	<u>\$ 61,169</u>	<u>\$ 48,494</u>	<u>\$ 96,624</u>

As of December 31, 2013, December 31, 2012 and January 1, 2012, the allowances for inventory devaluation were \$2,867 thousand, \$4,893 thousand and \$4,970 thousand, respectively, which were recorded as reduction of inventories.

The cost of inventories recognized as costs of goods sold were \$831,449 thousand in 2013 and \$873,193 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	\$ 21,837	\$ 13,080
Others	<u>(1,094)</u>	<u>(58)</u>
	<u>\$ 20,743</u>	<u>\$ 13,022</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31, 2013</u>		<u>December 31, 2012</u>		<u>January 1, 2012</u>	
	Amount	% of Owner - ship	Amount	% of Owner - ship	Amount	% of Owner - ship
<u>Investments in subsidiaries</u>						
Unlisted companies						
Global Electronics Terminal (Cayman) Co., Ltd. (Global (Cayman))	\$ 2,913,507	100	\$ 2,610,183	100	\$ 2,561,195	100
Genius Terminal Co., Ltd. (Genius)	72,326	100	68,595	100	79,683	100
GEM Terminal (Cayman) Co., Ltd. (GEM (Cayman))	<u>114,735</u>	100	<u>26,626</u>	100	<u>28,427</u>	100
	<u>\$ 3,100,568</u>		<u>\$ 2,705,404</u>		<u>\$ 2,669,305</u>	

The Company's share of profit or loss and other comprehensive income of subsidiaries for the years ended December 31, 2013 and 2012 were based on the subsidiaries' audited financial statements.

13. 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, respectively. 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 price 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	\$ 170,072	\$ 332,166	\$ 11,317	\$ 4,846	\$ 84	\$ 23,404	\$ 45	\$ 679,322
Additions	-	350	35,016	-	-	-	1,703	102	37,171
Disposal	-	(758)	(72,262)	-	(203)	-	(17,009)	-	(90,232)
Balance on December 31, 2012	<u>\$ 137,388</u>	<u>\$ 169,664</u>	<u>\$ 294,920</u>	<u>\$ 11,317</u>	<u>\$ 4,643</u>	<u>\$ 84</u>	<u>\$ 8,098</u>	<u>\$ 147</u>	<u>\$ 626,261</u>
<u>Accumulated depreciation</u>									
Balance on January 1, 2012	\$ -	\$ (100,691)	\$ (147,224)	\$ (8,658)	\$ (558)	\$ (18)	\$ (12,223)	\$ -	\$ (269,372)
Disposal	-	631	40,210	-	152	-	11,796	-	52,789
Depreciation expenses	-	(8,311)	(27,670)	(798)	(473)	(15)	(1,281)	-	(38,548)
Balance on December 31, 2012	<u>\$ -</u>	<u>\$ (108,371)</u>	<u>\$ (134,684)</u>	<u>\$ (9,456)</u>	<u>\$ (879)</u>	<u>\$ (33)</u>	<u>\$ (1,708)</u>	<u>\$ -</u>	<u>\$ (255,131)</u>
Carrying amounts at January 1, 2012	<u>\$ 137,388</u>	<u>\$ 69,381</u>	<u>\$ 184,942</u>	<u>\$ 2,659</u>	<u>\$ 4,288</u>	<u>\$ 66</u>	<u>\$ 11,181</u>	<u>\$ 45</u>	<u>\$ 409,950</u>
Carrying amounts at December 31, 2012	<u>\$ 137,388</u>	<u>\$ 61,293</u>	<u>\$ 160,236</u>	<u>\$ 1,861</u>	<u>\$ 3,764</u>	<u>\$ 51</u>	<u>\$ 6,390</u>	<u>\$ 147</u>	<u>\$ 371,130</u>

2013

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>									
Balance on January 1, 2013	\$ 137,388	\$ 169,664	\$ 294,920	\$ 11,317	\$ 4,643	\$ 84	\$ 8,098	\$ 147	\$ 626,261
Additions	8,830	1,085	8,066	-	-	-	7,139	(68)	25,052
Disposal	-	-	(35,599)	-	-	-	(7,462)	-	(43,061)
Balance on December 31, 2013	<u>\$ 146,218</u>	<u>\$ 170,749</u>	<u>\$ 267,387</u>	<u>\$ 11,317</u>	<u>\$ 4,643</u>	<u>\$ 84</u>	<u>\$ 7,775</u>	<u>\$ 79</u>	<u>\$ 608,252</u>
<u>Accumulated depreciation</u>									
Balance on January 1, 2013	\$ -	\$ (108,371)	\$ (134,684)	\$ (9,456)	\$ (879)	\$ (33)	\$ (1,708)	\$ -	\$ (255,131)
Disposal	-	-	30,858	-	-	-	579	-	31,437
Depreciation expenses	-	(8,129)	(27,811)	(618)	(464)	(15)	(1,172)	-	(38,209)
Balance on December 31, 2013	<u>\$ -</u>	<u>\$ (116,500)</u>	<u>\$ (131,637)</u>	<u>\$ (10,074)</u>	<u>\$ (1,343)</u>	<u>\$ (48)</u>	<u>\$ (2,301)</u>	<u>\$ -</u>	<u>\$ (261,903)</u>
Carrying amounts at December 31, 2013	<u>\$ 146,218</u>	<u>\$ 54,249</u>	<u>\$ 135,750</u>	<u>\$ 1,243</u>	<u>\$ 3,300</u>	<u>\$ 36</u>	<u>\$ 5,474</u>	<u>\$ 79</u>	<u>\$ 346,349</u>

b. Estimated useful lives

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

Buildings

Factory	10 years
Main building	5-10 years
The major component part of the factory	19-20 years
The major component part of the office	50-55 years

Machinery and equipment

3-15 years

Transportation equipment

5-10 years

Office equipment

5-10 years

Leasehold improvements

5.75 years

Miscellaneous equipment

5-15 years

14. BORROWINGS

a. Short-term borrowings - only January 1, 2012

	Amount
Purchase borrowings 1.74% p.a.	\$ <u>37,031</u> (HK\$ 9,500 thousand)

b. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured borrowings	\$ <u>1,355,833</u>	\$ <u>1,277,500</u>	\$ <u>910,000</u>
Commercial paper payable	200,000	150,000	150,000
Less: Unamortized discount	<u>434</u>	<u>177</u>	<u>35</u>
	<u>199,566</u>	<u>149,823</u>	<u>149,965</u>
	1,555,399	1,427,323	1,059,965
Less: Current portion	<u>570,833</u>	<u>706,490</u>	<u>357,500</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	\$ 910,000
Less: Current portion	<u>570,833</u>	<u>556,667</u>	<u>357,500</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	1.60-2.20

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 abovementioned financial ratio requirements stated in the loan agreements with the banks.

Commercial paper payable

Acceptance Bank	Interest Rate P.A. (%)	Credit Line	Maturity	Amount
<hr/>				
December 31, 2013				
International Bills Finance Corporation/Ta Chong Bank Ltd. (TC Bank)	1.20	\$ 200,000	February 2016	\$ 200,000

(Continued)

Acceptance Bank	Interest Rate P.A. (%)	Credit Line	Maturity	Amount
Less: Unamortized discounts				\$ 434
				199,566
Less: Current portion				<u>-</u>
				<u>\$ 199,566</u>
<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 Company should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2012, the Company 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 Company was in compliance with TC Bank's financial ratio on December 31, 2013 and January 1, 2012.

The Company 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 Company will be charged commitment fees at 1.20%, of the credit amounts. The financial ratio of the Company 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 Company notes payable and accounts payable (including those to related parties) were from operating activities and were not secured by collaterals.

The Company 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
<u>Current</u>			
Payable for buying on subsidiaries' behalf	\$ 20,316	\$ 6,265	\$ 5,724
Payable for purchase of equipment	6,933	3,441	3,738
Salaries or bonus	5,338	13,594	17,446
Payable for annual leave	2,791	2,884	1,914
Payable for professional service fees	2,104	1,627	2,522
Payable for bonus to employees and remuneration to directors and supervisors	1,380	6,100	10,100
Others	<u>17,187</u>	<u>12,225</u>	<u>10,049</u>
	<u>\$ 56,049</u>	<u>\$ 46,136</u>	<u>\$ 51,493</u>

Other payables - others were interest payable, payables for labor insurance, rent payable, pension payable 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. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which 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:

	Year Ended December 31	
	2013	2012
Current service cost	\$ 1,053	\$ 1,314
Interest cost	1,342	1,672
Expected return on plan assets	<u>(361)</u>	<u>(391)</u>
	<u>\$ 2,034</u>	<u>\$ 2,595</u>
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>
	<u>\$ 2,034</u>	<u>\$ 2,595</u>

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:

	December 31, 2013	December 31, 2012	January 1, 2012
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	<u>\$ 85,094</u>	<u>\$ 85,458</u>	<u>\$ 85,389</u>

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

	Year Ended December 31	
	2013	2012
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	<u>\$ 115,575</u>	<u>\$ 107,369</u>

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

	Year Ended December 31	
	2013	2012
Balance, beginning of year	\$ 28,891	\$ 26,095
Expected return on plan assets	361	391
Actuarial losses	(3)	(121)

(Continued)

	<u>Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
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 the Regulations (refer to Note 29):

	<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:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2012</u>	<u>For Fiscal Year 2011</u>	<u>For Fiscal Year 2012</u>	<u>For Fiscal Year 2011</u>
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:

	2012	2011
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:

	Appropriation of Earnings
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

	2013	2012
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

	2013	2012
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. INCOME BEFORE INCOME TAX

Income before income tax was as follows:

a. Other income

	Year Ended December 31	
	2013	2012
Interest income	\$ 4,540	\$ 5,457
Dividend income	1,637	198
Others	<u>12,959</u>	<u>10,538</u>
	<u>\$ 19,136</u>	<u>\$ 16,193</u>

b. Other gains and losses

	Year Ended December 31	
	2013	2012
Gain (loss) on disposal of investments, net	\$ 14,423	\$ (988)
Foreign exchange gains (losses), net	6,863	(9,324)
Gain (loss) on disposal of property, plant and equipment, net	(876)	1,348
Valuation gain (loss) on financial instruments at fair value through profit or loss, net	(2,521)	232
Others	<u>(2)</u>	<u>(1)</u>
	<u>\$ 17,887</u>	<u>\$ (8,733)</u>

c. Finance costs

	Year Ended December 31	
	2013	2012
Interest expense of borrowings	\$ 27,875	\$ 25,472
Less: Amounts included in the cost of qualifying assets	<u>781</u>	<u>519</u>
	<u>\$ 27,094</u>	<u>\$ 24,953</u>

Information about capitalized interest was as follows:

	Year Ended December 31	
	2013	2012
Capitalized interest (classified under property, plant and equipment and prepayments for equipment)	\$ 781	\$ 519
Capitalization rate (%)	1.55-2.07	1.85-2.10

d. Depreciation and amortization

	Year Ended December 31	
	2013	2012
Property, plant and equipment	\$ 38,209	\$ 38,548
Other assets	<u>2,357</u>	<u>2,257</u>
	<u>\$ 40,566</u>	<u>\$ 40,805</u>

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

	Year Ended December 31	
	2013	2012
Analysis of depreciation by function		
Operating costs	\$ 16,260	\$ 20,615
Operating expenses	<u>21,949</u>	<u>17,933</u>
	<u>\$ 38,209</u>	<u>\$ 38,548</u>
Analysis of amortization by function		
Operating costs	\$ -	\$ 8
Operating expenses	<u>2,357</u>	<u>2,249</u>
	<u>\$ 2,357</u>	<u>\$ 2,257</u>

e. Employee benefits expense

	Year Ended December 31	
	2013	2012
Short-term employee benefits		
Salary	\$ 86,039	\$ 97,606
Labor and health insurance	8,946	8,923
Other	<u>5,463</u>	<u>5,387</u>
	<u>100,448</u>	<u>111,916</u>
Post-employment benefits (Note 18)		
Defined contribution plans	3,490	3,339
Defined benefit plans	<u>2,034</u>	<u>2,595</u>
	<u>5,524</u>	<u>5,934</u>
	<u>\$ 105,972</u>	<u>\$ 117,850</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 28,218	\$ 37,185
Operating expenses	<u>77,754</u>	<u>80,665</u>
	<u>\$ 105,972</u>	<u>\$ 117,850</u>

f. Gain or loss on foreign currency exchange

	<u>Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
Foreign exchange gains	\$ 28,175	\$ 22,999
Foreign exchange losses	<u>(21,312)</u>	<u>(32,323)</u>
	<u>\$ 6,863</u>	<u>\$ (9,324)</u>

20. INCOME TAXES

a. Income tax recognized in profit or loss

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

	<u>Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
Current tax		
In respect of the current year	\$ 117	\$ -
Income tax expense of unappropriated earnings	3,698	2,949
In respect of prior periods	1,585	5,882
Investment credits	<u>(313)</u>	<u>-</u>
	<u>5,087</u>	<u>8,831</u>
Deferred tax		
In respect of the current year	(2,649)	(6,744)
Loss carryforwards	<u>3,943</u>	<u>(5,106)</u>
	<u>1,294</u>	<u>(11,850)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 6,381</u>	<u>\$ (3,019)</u>

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

	<u>Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
Profit before income tax	<u>\$ 21,099</u>	<u>\$ 83,834</u>
Income tax expense at statutory rate	\$ 3,570	\$ 14,252
Tax effect of adjustment items		
Tax-exempt income	(165)	-
Non-taxable expenses and losses (revenues and gains)	(1,105)	145
Nondeductible expenses in determining taxable income	-	2
Temporary differences	-	(26,249)
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	5,742	(8,901)
Temporary differences	(1,006)	-

(Continued)

	Year Ended December 31	
	2013	2012
Withholding tax on overseas dividends and interest income In respect of the prior periods	\$ 60 <u>1,585</u>	\$ - <u>5,882</u>
Income tax expense (benefit)	<u>\$ 6,381</u>	<u>\$ (3,019)</u> (Concluded)

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC.

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)

	Year Ended December 31	
	2013	2012
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

Deferred Tax Assets	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
Temporary differences			
Unrealized deferred revenue	\$ 15,796	\$ 5,873	\$ 21,669
Defined benefit obligation	14,528	(62)	14,466
Foreign investment loss	4,413	(1,948)	2,465
FVTPL financial assets	1,326	(757)	569
Unrealized inventory devaluation	832	(345)	487
Payable for annual leave	490	(16)	474
Provisions	3	4	7
Others	<u>651</u>	<u>143</u>	<u>794</u>
	38,039	2,892	40,931
Loss carryforwards	<u>5,106</u>	<u>(3,943)</u>	<u>1,163</u>
	<u>\$ 43,145</u>	<u>\$ (1,051)</u>	<u>\$ 42,094</u>

Others were mainly composed of financial and taxation differences on property, plant and equipment.

Deferred Tax liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Temporary differences				
Land value increment tax	\$(7,398)	\$ -	\$ -	\$(7,398)

(Continued)

Deferred Tax liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Available - for - sale financial assets	\$ (469)	\$ -	\$ 459	\$ (10)
Others	<u>(275)</u>	<u>(243)</u>	<u>-</u>	<u>(518)</u>
	<u>\$ (8,142)</u>	<u>\$ (243)</u>	<u>\$ 459</u>	<u>\$ (7,926)</u> (Concluded)

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

Year ended December 31, 2012

Deferred Tax Assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Reclassification	Balance, End of Year
Temporary differences					
Defined benefit obligation	\$ 14,516	\$ 12	\$ -	\$ -	\$ 14,528
Unrealized deferred revenue	11,814	3,982	-	-	15,796
Foreign investment loss	2,320	2,093	-	-	4,413
FVTPL financial assets	855	471	-	-	1,326
Unrealized inventory devaluation	845	(13)	-	-	832
Payable for annual leave	325	165	-	-	490
Available - for - sale financial assets	180	-	(649)	469	-
Provisions	-	3	-	-	3
Others	<u>796</u>	<u>(165)</u>	<u>-</u>	<u>20</u>	<u>651</u>
	31,651	6,548	(649)	489	38,039
Loss carryforwards	<u>-</u>	<u>5,106</u>	<u>-</u>	<u>-</u>	<u>5,106</u>
	<u>\$ 31,651</u>	<u>\$ 11,654</u>	<u>\$ (649)</u>	<u>\$ 489</u>	<u>\$ 43,145</u>

Others were mainly composed of financial and taxation differences on property, plant and equipment.

Deferred Tax liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Reclassification	Balance, End of Year
Temporary differences				
Land value increment tax	\$(7,398)	\$ -	\$ -	\$(7,398)
Available - for - sale financial assets	-	-	(469)	(469)
Others	<u>(451)</u>	<u>196</u>	<u>(20)</u>	<u>(275)</u>
	<u>\$ (7,849)</u>	<u>\$ 196</u>	<u>\$ (489)</u>	<u>\$ (8,142)</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:

Unused Amount	Expiry Year
<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

	December 31, 2013	December 31, 2012	January 1, 2012
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>\$ 23,030</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.

d. Income tax assessments

The tax returns of the Company through 2009 and 2011 have been assessed by 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 Company manages its capital to ensure that entities in the Company will be able to continue as going concerns through the optimization of the debt and equity balance. The capital structure of the Company consists of net debt and equity of the Company. The Company 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 Company 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 Company 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 parent company only financial statements approximate their fair values.

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<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	\$ 1,059,965	\$ 1,047,741

2) Fair value measurements recognized in the 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

	Level 1	Level 2	Level 3	Total
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

	Level 1	Level 2	Level 3	Total
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

	Level 1	Level 2	Level 3	Total
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	<u>\$ 23,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,545</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 Company 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	23,545
Loans and receivables (Note 1)	1,153,780	1,150,630	1,121,840
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)	1,818,648	1,646,959	1,396,977

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 (including those from related parties), other financial assets-current, other receivables (including those from related parties) and refundable deposits-noncurrent.

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

c. Financial risk management objectives and policies

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

The Company 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 Company'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 Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company'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 Company 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 62% of sales were not denominated in the Company's functional currency.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Assets			
USD	\$ 319,292	\$ 168,185	\$ 103,910
HKD	59,239	60,673	63,853
JPY	16,125	8,856	30,512
CAD	806	75,197	29,839
GBP	856	133,227	57,626
Liabilities			
USD	1,318	5,965	1,417
HKD	173,853	129,523	110,974
JPY	261	-	-

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

	December 31, 2013	December 31, 2012	January 1, 2012
Assets			
USD	\$ 272	\$ -	\$ -
Liabilities			
USD	314	-	1,499

Sensitivity analysis

The Company was mainly exposed to the risk 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 Company'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.

	USD impact		HKD impact		JPY impact		CAD impact		GBP impact	
	Year Ended		Year Ended		Year Ended		Year Ended		Year Ended	
	December 31		December 31		December 31		December 31		December 31	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Profit or loss	\$ 3,180	\$ 1,622	\$(1,146)	\$ (689)	\$ 159	\$ 89	\$ 8	\$ 752	\$ 9	\$ 1,332

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company 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 Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value interest rate risk			
Financial assets	\$ 229,720	\$ 365,470	\$ 262,903
Financial liabilities	1,345,399	1,427,323	959,965
Cash flow interest rate risk			
Financial assets	531,549	496,721	530,004
Financial liabilities	210,000	-	137,031

Sensitivity analysis

The sensitivity analysis below was based on the Company'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 Company's pre-tax profit for the year ended December 31, 2013 and 2012 would have been higher/lower by \$3,215 thousand and \$4,967 thousand, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in gold passbook, futures contracts, mutual funds and listed shares. The Company manages this exposure by maintaining a portfolio of investments with different risks. The Company'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 financial assets.

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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to the counterparties' failure to discharge an obligation and because of financial guarantees provided by the Company is the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company 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 Company'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 Company's funding and liquidity management requirements.

As of December 31, 2013, December 31, 2012 and January 1, 2012, information for the Company'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 Company'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 Company 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	1.66-2.09	\$ 46,814	\$ 199,468	\$ 294,922	\$ 837,378
Variable interest rate liabilities	2.00-2.20	583	25,671	27,746	162,876
Non-interest bearing		12,207	16,902	5,089	-
<u>December 31, 2012</u>					
Fixed interest rate liabilities	1.66-2.20	178,058	94,469	455,131	731,529
Variable interest rate liabilities		-	-	-	-
Non-interest bearing		10,707	21,164	10,612	-
<u>January 1, 2012</u>					
Fixed interest rate liabilities	1.78-2.20	27,163	22,535	222,206	710,486
Variable interest rate liabilities	1.60-1.74	313	37,353	100,425	-
Non-interest bearing		85,001	66,415	26,146	416

Taking into account the Company'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 Company'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	\$ 40,815	\$ 53,296	\$ -	\$ -	\$ -
Outflows	(41,981)	(53,629)	-	-	-
	\$ (1,166)	\$ (333)	\$ -	\$ -	\$ -

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

c) Credit line

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured bank borrowing credit line			
Amount used	\$ 2,385,000	\$ 1,925,000	\$ 1,487,031
Amount unused	<u>1,149,310</u>	<u>1,137,096</u>	<u>1,242,969</u>
	<u>\$ 3,534,310</u>	<u>\$ 3,062,096</u>	<u>\$ 2,730,000</u>

24. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its related parties were as follows:

a. Sales

Related Parties Types	Year Ended December 31	
	2013	2012
Subsidiaries	<u>\$ 118,258</u>	<u>\$ 129,108</u>

Unrealized gains on the transactions with the subsidiaries were \$5,585 thousand in 2013 and \$3,993 thousand in 2012.

The goods sold to related parties listed above were mainly raw materials and semi-finished goods. The terms for the sales to related parties were not comparable with those for third parties. The payment collection term period was about 4 months.

b. Purchase

Related Parties Types	Year Ended December 31	
	2013	2012
Subsidiaries	<u>\$ 650,620</u>	<u>\$ 640,068</u>

The goods purchased were mainly scraps, finished goods and merchandise which were different from those sold to the related parties by the Company. The terms of the purchases from related parties were not comparable with those for third parties. The payment period was about 4 months or earlier depending on the related parties' working capital.

c. Receivables from related parties (excluding loans to related parties)

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	<u>\$ 2,217</u>	<u>\$ 8,463</u>	<u>\$ 25,300</u>

No expense was recognized for the years ended December 31, 2013 and 2012 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

d. Payables to related parties

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	<u>\$ 167,027</u>	<u>\$ 135,393</u>	<u>\$ 75,183</u>

The outstanding trade payables from related parties are unsecured.

e. Other payable to related parties

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	<u>\$ 13,843</u>	<u>\$ _____</u>	<u>\$ _____</u>

The other payable to subsidiaries was due to agency receipt of trade receivable.

f. Property, plant and equipment acquired

In addition to those disclosed in Note 13, property, plant and equipment acquired from subsidiaries were as follows:

Related Parties Types	Price	
	Year Ended December 31 2013	2012
Subsidiaries	<u>\$ 16,205</u>	<u>\$ 4,639</u>

There was no similar machinery sold to third parties. The collection term was about 4 months.

g. Property, plant and equipment disposed

1) Property, plant and equipment

	Year Ended December 31			
	2013		2012	
	Price	Gain on Disposal	Price	Gain on Disposal
Subsidiaries	<u>\$ 217,370</u>	<u>\$ 47,003</u>	<u>\$ 148,785</u>	<u>\$ 34,591</u>

As of December 31, 2013 and 2012, the accumulated unrealized gains on the intercompany property transactions by selling to and purchasing on behalf of subsidiaries amounted to \$120,394 thousand and \$86,512 thousand, respectively, which were recorded as reduction of investment accounted for using the equity method. The unrealized gains on disposal of assets are amortized by the straight-line method over 10 years and recognized under gain on disposal of property, plant and equipment and other income.

2) Patents and franchise

As of December 31, 2012, the Company had sold patents and franchise to subsidiaries, and the related accumulated unrealized gains amounted to \$928 thousand, which was recorded as reduction of investment accounted for using the equity method. The unrealized gains are amortized by the straight-line method over 1 to 3 years and recognized under other income.

The payment term was about 4 months. Since there was no similar transition with third parties, the terms of the purchase from related parties were not comparable with those for third parties.

3) Other receivable - related parties (excluding loans to related parties)

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	<u>\$ 39,639</u>	<u>\$ 10,461</u>	<u>\$ 45,685</u>

h. Loans to related parties (only for the year 2013)

Related Parties Types	December 31, 2013
Subsidiaries	<u>\$ 29,770</u> (US\$ 1,000 thousand)

As of December 31, 2013, the loans to subsidiaries were unsecured with annual interest rate at 2.8%, which was near to market interest rate, and interest receivable and interest income were 555 thousand.

i. Guarantees (only January 1, 2012)

	<u>January 1, 2012</u> Credit Line
Subsidiaries	<u>\$ 90,810</u> (US\$ 3,000 thousand)

j. 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)	\$ 5,382	\$ 6,896
Post-employment benefits	<u>316</u>	<u>316</u>
	<u>\$ 5,698</u>	<u>\$ 7,212</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.

k. 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.

1. Guarantees

Su, Chung-Hong and Su, Tun-Li jointly provided the guarantee for the Company's borrowings.

25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 14, as of December 31, 2013, the amounts of contracts for the Company's purchases of properties and materials were \$80,582 thousand, of which \$64,739 thousand had not been paid.

26. 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	\$ 10,725	29.770	\$ 319,292
HKD	15,423	3.841	59,239
GBP	17	49.213	856
JPY	56,857	0.2836	16,125
CAD	29	27.966	806
Nonmonetary items			
USD	472	29.770	14,037
HKD	2,633	3.841	10,114
Financial liabilities			
Monetary items			
USD	44	29.770	1,318
HKD	45,262	3.841	173,853
JPY	920	0.2836	261
Nonmonetary items			
USD	11	29.770	314

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>December 31, 2012</u>			
Financial assets			
Monetary items			
USD	\$ 5,793	29.032	\$ 168,185
HKD	16,192	3.747	60,673
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
Financial liabilities			
Monetary items			
USD	205	29.032	5,965
HKD	34,567	3.747	129,523
<u>January 1, 2012</u>			
Financial assets			
Monetary items			
USD	5,400	30.270	163,459
HKD	25,248	3.898	98,415
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
Financial liabilities			
Monetary items			
USD	47	30.270	1,417
HKD	28,469	3.898	110,974
Derivative contract			
Forward exchange contract			
USD	2,000	29.413-30.153	59,549
HKD	9,000	3.780-3.880	34,562
			(Concluded)

27. 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: Note 24.
- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Note 24.
- 3) The amount of property transactions and the amount of the resultant gains or losses: Note 24.
- 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: Note 24.

28. SEGMENT INFORMATION

Disclosure of segment information is not required for parent company only financial statements, but the Company has disclosed the segment information in the consolidated financial statements.

29. FIRST-TIME ADOPTION OF THE REGULATIONS

The Company's date of transition to the Regulations was January 1, 2012.

The impact of the transition to the Regulations on the Company's balance sheets and statements of comprehensive income is stated as follow:

- a. Reconciliation of parent company only balance sheet as of January 1, 2012: Table 7 (attached).
- b. Reconciliation of parent company only balance sheet as of December 31, 2012: Table 8 (attached).
- c. Reconciliation of parent company only statement of comprehensive income for the year ended December 31, 2012: Table 9 (attached).
- d. Exemptions

Except for optional exemptions and mandatory exceptions to retrospective application provided under the Regulations, the Company retrospectively applied the Regulations to prepare its opening balance sheet at the date of transition, January 1, 2012. The major optional exemptions the Company elected are summarized as follows:

- 1) 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 the Regulations. The Company has measured property, plant and equipment and intangible assets by cost method under the Regulations retrospectively.

- 2) Employee benefits

The Company elected to recognize all cumulative actuarial gains and losses relating to employee benefits in accumulated earnings at the date of transition to the Regulations. In addition, the Company elected to apply the exemption disclosure requirement provided by the Regulations, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

- 3) Share-based payment transactions

The Company elected to take the optional exemption from applying the Regulations retrospectively for the share-based payment transactions granted and vested before the date of transition.

- e. Explanations of significant reconciling items in the transitions the Regulations

The material differences between the accounting policies under ROC GAAP and the accounting policies adopted under the Regulations were as follows:

- 1) 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 the Regulations, 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 January 1, 2012, the Company's time deposits with maturity of more than 3 months from the date of acquisition were reclassified under the Regulations; the reclassification adjustment resulted in a decrease of cash and cash equivalents by \$23,356 thousand.

2) 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 the Regulations, 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.

3) 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 the Regulations, 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 \$7,748 thousand and \$2,665 thousand, respectively. Under the Regulations, the Company's deferred tax assets and liabilities cannot be offset against each other, thus, deferred tax assets and liabilities both increased by \$744 thousand at December 31, 2012 and \$451 thousand at January 1, 2012.

4) 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 the Regulations, 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 January 1, 2012, the reclassification adjustment resulted in an increase of deferred income tax liabilities by \$7,398 thousand on each date.

5) 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 the Regulations, 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 \$41,388 thousand and \$14,159 thousand, respectively.

6) Measurement of property, plant and equipment

Under ROC GAAP, property, plant and equipment held by the Company 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 the Regulations, the Company 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.

7) 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 the Regulations, 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 \$1,898 thousand and \$1,914 thousand, respectively; an increase of deferred income tax assets by \$322 thousand and \$326 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 an increase of income by \$13 thousand (net of \$4 thousand tax effect).

8) 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 Company elected to recognize all cumulative actuarial losses relating to employee benefits of \$25,420 thousand in retained earnings at the date of transition to the Regulations, 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, respectively; 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 income by \$1,777 thousand (net of \$363 thousand tax effect).

9) 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 the Regulations.

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 by \$10,522 thousand and \$18,205 thousand, respectively.

f. 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 \$0 thousand and \$23,356 thousand as of December 31, 2012 and January 1, 2012, respectively, held by the Company were for investment purposes and thus no longer classified as cash under the Regulations.

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 by the Company and interest paid were \$5,594 thousand, \$198 thousand and \$24,802 thousand, respectively, for the year ended December 31, 2012 were presented separately at the date of transition to the Regulations.

Except for the above differences, there are no other significant differences between ROC GAAP and parent company only financial reporting accounting standards in the 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 (Note 2)	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 Lending 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).

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 Terms	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	
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)	
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	
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)	
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	
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)	
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	
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)	

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.

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

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	\$ -	\$ -	
	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	-	-	
	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)	-	-	
								<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	-	-	
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	-	-	
	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)	-	-	
								<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)	-	-	
Vibo	You Mao	Hong Kong	International trading	Note	Note	-	100	\$ -	\$ -	\$ -	\$ -	-	-	Note

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

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.

TABLE 7

GEM TERMINAL IND. CO., LTD.

RECONCILIATION OF PARENT COMPANY ONLY BALANCE SHEET

JANUARY 1, 2012

(In Thousands of New Taiwan Dollars)

ROC GAAP		ASSETS				ROC GAAP		LIABILITIES AND STOCKHOLDERS' EQUITY					
		EFFECTS OF TRANSITION		THE REGULATIONS				EFFECTS OF TRANSITION		THE REGULATIONS			
ITEMS	AMOUNT	PRESENTATION INCONSISTENCY	MEASUREMENT INCONSISTENCY	AMOUNT	ITEMS	NOTE (Note 1)	ITEMS	AMOUNT	PRESENTATION INCONSISTENCY	MEASUREMENT INCONSISTENCY	AMOUNT	ITEMS	NOTE (Note 1)
CURRENT ASSETS													
Cash	\$ 793,499	\$ (23,356)	\$ -	\$ 770,143	Cash	(1)	Short-term loans	\$ 37,031	\$ -	\$ -	\$ 37,031	Short-term loans	
Financial assets at fair value through profit or loss - current	36,400	-	-	36,400	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	
Notes receivable	54,000	-	-	54,000	Notes receivable		Accounts payable	142,266	-	-	142,266	Accounts payable to related parties	
Accounts receivable, net	184,614	-	-	184,614	Accounts receivable, net		Accounts payable to related parties	75,183	-	-	75,183	Accounts payable to related parties	
Accounts receivable from related parties	25,300	-	-	25,300	Accounts receivable from related parties		Accrued expenses	35,938	13,641	1,914	51,493	Other payables	(8), Note 2 and Note 3
Tax refundable	5,032	-	-	5,032	Tax refundable		Income tax payable	6,029	-	-	6,029	Income tax liabilities	
Other receivable	11,622	-	-	11,622	Other receivable		Long-term debts - current portion	357,500	-	-	357,500	Long-term debts - current portion	
Other Receivable from related parties	45,685	-	-	45,685	Other receivable from related parties		Other current liabilities	17,148	(16,423)	-	725	Other current liabilities	Note 3 and Note 4
-	-	23,356	-	23,356	Debt investment with no active market - current		Total current liabilities	703,633	(2,782)	1,914	702,765		
Refundable deposits - current	5,850	-	-	5,850	Other financial assets-current	(1)	LONG-TERM DEBTS	702,465	-	-	702,465	LONG-TERM DEBTS	
Inventories	96,624	-	-	96,624	Inventories	(2) and (3)	RESERVE FOR LAND VALUE INCREMENT TAX	7,398	(7,398)	-	-		(4)
Deferred income tax assets - current	2,665	(2,665)	-	-	-		OTHER LIABILITIES						
Other current assets	16,937	-	-	16,937	Other current assets		Accrued pension cost	74,738	-	10,651	85,389	Pension benefit obligations	(8) and (9)
Total current assets	1,305,848	(2,665)	-	1,303,183	Investments accounted for using the equity method	Note 4	Deferred income tax liabilities	-	7,849	-	7,849	Deferred income tax liabilities	(2), (3) and (4)
LONG-TERM INVESTMENTS AT EQUITY	2,736,709	(66,617)	(787)	2,669,305	Cost		Deferred credits - gain on intercompany transaction	63,835	(63,835)	-	-	-	Note 4
PROPERTY, PLANT AND EQUIPMENT					Accumulated depreciation		Total other liabilities	138,573	(55,986)	10,651	93,238	Total liabilities	
Cost	642,821	-	36,456	679,277	Construction in progress	(5)	Total liabilities	1,552,069	(66,166)	12,565	1,498,468	Total liabilities	
Revaluation increment - land	36,456	-	(36,456)	-	Prepayments for equipment	(5)	STOCKHOLDERS' EQUITY						
Accumulated depreciation	(269,372)	-	-	(269,372)	Refundable deposits		Common stock	1,715,980	-	-	1,715,980	Common stock	
Construction in progress	409,905	-	-	409,905	Deferred income tax assets	(2), (3), (7) and (8)	Capital surplus	270,187	-	-	270,187	Capital surplus	
Prepayments for equipment	45	-	-	45	Other noncurrent assets		Retained earnings	749,007	-	(498)	748,509	Retained earnings	(6), (7) and (8)
Total property, plant and equipment, net	424,109	(14,159)	-	409,950	Total property, plant and equipment		OTHER EQUITY ITEMS						
OTHER ASSETS					Prepayments for equipment	(5)	Unrealized revaluation increment	25,785	-	(25,785)	-	-	(6)
Refundable deposits - noncurrent	1,270	-	-	1,270	Deferred income tax assets	(2), (3), (7) and (8)	Unrealized loss on financial instrument	(1,996)	-	-	(1,996)	Unrealized loss on available - for sale financial assets	
Deferred income tax assets - noncurrent	23,304	3,116	5,231	31,651	Other noncurrent assets		Cumulative translation adjustments	202,948	-	(43)	202,905	Exchange difference	(7)
Other assets	4,535	-	-	4,535	Total other assets		Net loss not yet recognized as pension costs	(18,205)	-	18,205	-	-	(9)
Total other assets	29,109	17,275	5,231	51,615			Total other equity items	208,532	-	(7,623)	200,909	Other equity	
							Total stockholders' equity	2,943,706	-	(8,121)	2,935,585	Total stockholders' equity	
TOTAL	\$ 4,495,775	\$ (66,166)	\$ 4,444	\$ 4,434,053	TOTAL		TOTAL	\$ 4,495,775	\$ (66,166)	\$ 4,444	\$ 4,434,053	TOTAL	

Note 1: Refer to Note 29-d) Exemptions, and e). Explanation of significant reconciling items in the transition to the Regulations.

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 \$3,738 thousand and other payable \$9,903 thousand are reclassified to other payables.

Note 4: In accordance with IAS 28, the account is reclassified as reduction of investment accounted for using the equity method.

GEM TERMINAL IND. CO., LTD.

RECONCILIATION OF PARENT COMPANY ONLY BALANCE SHEET
DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

ASSETS						LIABILITIES AND STOCKHOLDERS' EQUITY							
ROC GAAP		EFFECTS OF TRANSITION		THE REGULATIONS		ROC GAAP		EFFECTS OF TRANSITION		THE REGULATIONS			
ITEMS	AMOUNT	PRESENTATION INCONSISTENCY	MEASUREMENT OR RECOGNITION INCONSISTENCY	AMOUNT	ITEMS	NOTE (Note 1)	ITEMS	AMOUNT	PRESENTATION INCONSISTENCY	MEASUREMENT OR RECOGNITION INCONSISTENCY	AMOUNT	ITEMS	NOTE (Note 1)
CURRENT ASSETS							CURRENT LIABILITIES						
Cash	\$ 862,899	\$ -	\$ -	\$ 862,899	Cash	(1)	Notes payable	\$ 21,412	\$ -	\$ -	\$ 21,412	Notes payable	
Financial assets at fair value through profit or loss - current	110,404	-	-	110,404	Financial assets at fair value through profit or loss - current		Accounts payable	16,695	-	-	16,695	Accounts payable	
Available-for-sale financial assets-current	28,012	-	-	28,012	Available-for-sale financial assets-current		Accounts payable to related parties	135,393	-	-	135,393	Accounts payable to related parties	
Notes receivable	54,679	-	-	54,679	Notes receivable		Accrued expenses	29,273	14,965	1,898	46,136	Other payables	(8), Note 3 and Note 4
Accounts receivable, net	213,781	-	-	213,781	Accounts receivable, net		Income tax payable	1,887	-	-	1,887	Income tax liabilities	(8)
Accounts receivable from related parties	8,463	-	-	8,463	Accounts receivable from related parties		-	-	15	-	15	Provisions-current	Note 4 and Note 5
Tax refundable	4,470	(2,185)	-	2,285	Tax refundable	Note 2	Long-term debts - current portion	706,490	-	-	706,490	Long-term debts - current portion	
Other receivable	126	-	-	126	Other receivable		Other current liabilities	19,696	(18,973)	-	723	Other current liabilities	Note 4
Other Receivable from related parties	10,461	-	-	10,461	Other receivable from related parties	Note 2	Total current liabilities	930,846	(3,993)	1,898	928,751		
Refundable deposits - current	51	-	-	51	Current tax assets	Note 2							
Inventories	48,494	-	-	48,494	Refundable deposits - current		LONG-TERM DEBTS	720,833	-	-	720,833	LONG-TERM DEBTS	
Deferred income tax assets - current	7,748	(7,748)	-	-	Inventories	(2) and (3)	RESERVE FOR LAND VALUE INCREMENT TAX	7,398	(7,398)	-	-		(4)
Other current assets	18,156	-	-	18,156	Other current assets		OTHER LIABILITIES						
Total current assets	1,367,744	(7,748)	-	1,359,996	Investments accounted for using the equity method	Note 4	Accrued pension cost	69,265	-	16,193	85,458	Pension benefit obligations	(8) and (9)
LONG-TERM INVESTMENTS AT EQUITY	2,797,480	(91,433)	(643)	2,705,404	Cost		Deferred income tax liabilities	-	8,142	-	8,142	Deferred income tax liabilities	(2), (3) and (4)
PROPERTY, PLANT AND EQUIPMENT					Accumulated depreciation		Deferred credits - gain on intercompany	87,440	(87,440)	-	-		Note 5
Cost	589,658	-	36,456	626,114	Construction in progress	(5)	Total other liabilities	156,705	(79,298)	16,193	93,600	Total liabilities	
Revaluation increment - land	36,456	-	(36,456)	-	Total property, plant and equipment		Total liabilities	1,815,782	(90,689)	18,091	1,743,184		
Accumulated depreciation	(255,131)	-	-	(255,131)	Refundable deposits		STOCKHOLDERS' EQUITY						
Construction in progress	370,983	-	-	370,983	Deferred income tax assets	(2), (3), (7) and (8)	Common stock	1,715,980	-	-	1,715,980	Common stock	
Prepayments for equipment	147	-	-	147	Prepayments for equipment	(5)	Capital surplus	270,187	-	-	270,187	Capital surplus	
Total property, plant and equipment, net	412,518	(41,388)	-	371,130	Other noncurrent assets		Retained earnings	696,673	-	1,411	698,084	Retained earnings	(6), (7) and (8)
OTHER ASSETS							OTHER EQUITY ITEMS						
Refundable deposits - noncurrent	170	-	-	170			Unrealized revaluation increment	25,785	-	(25,785)	-		(6)
Deferred income tax assets - noncurrent	29,789	8,492	4,864	43,145			Unrealized loss on financial instrument	2,321	-	-	2,321	Unrealized loss on available - for sale financial assets	
-	-	41,388	-	41,388			Cumulative translation adjustments	93,997	-	(18)	93,979	Exchange difference	(7)
Other assets	2,502	-	-	2,502			Net loss not yet recognized as pension costs	(10,522)	-	10,522	-		(9)
Total other assets	32,461	49,880	4,864	87,205			Total other equity items	111,581	-	(15,281)	96,300	Other equity	
							Total stockholders' equity	2,794,421	-	(13,870)	2,780,551	Total stockholders' equity	
TOTAL	\$ 4,610,203	\$ (90,689)	\$ 4,221	\$ 4,523,735	TOTAL		TOTAL	\$ 4,610,203	\$ (90,689)	\$ 4,221	\$ 4,523,735	TOTAL	

Note 1: Refer to Note 29-d) Exemptions, and e). Explanation of significant reconciling items in the transition to the Regulations.

Note 2: In accordance with the newly revised "Rules Governing the Preparation of Financial Statements by Securities Issuers", the account Tax Refundable \$2,185 thousand are reclassified to Current tax assets.

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 \$3,441 thousand and other payable \$11,524 thousand are reclassified to other payables; the account Current liabilities-Payable \$15 thousand is reclassified to Provisions-current.

Note 5: In accordance with IAS 28, the account is reclassified as reduction of investment accounted for using the equity method.

GEM TERMINAL IND. CO., LTD.

**RECONCILIATION OF STANDALONE PARENT COMPANY ONLY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)**

ROC GAAP		Effects of Transition		THE REGULATIONS		Note
Items	Amount	Presentation Difference	Recognition or Measurement Difference	Amount	Items	
OPERATING REVENUE, NET	\$ 975,596	\$ -	\$ -	\$ 975,596	OPERATING REVENUE, NET	
OPERATING COSTS	<u>873,510</u>	<u>-</u>	<u>(317)</u>	<u>873,193</u>	OPERATING COSTS	(7) and (8)
GROSS PROFIT	<u>102,086</u>	<u>-</u>	<u>317</u>	<u>102,403</u>	GROSS PROFIT	
Unrealized gain	(3,993)	-	-	(3,993)	UNREALIZED INTERCOMPANY GAIN	
Realized gain	<u>2,782</u>	<u>-</u>	<u>-</u>	<u>2,782</u>	REALIZED INTERCOMPANY GAIN	
GROSS PROFIT, NET	<u>100,875</u>	<u>-</u>	<u>317</u>	<u>101,192</u>	GROSS PROFIT, NET	
OPERATING EXPENSES					OPERATING EXPENSES	
Selling	21,761	-	(188)	21,573	Selling	(7) and (8)
General and administrative	80,410	-	(919)	79,491	General and administrative	(7) and (8)
Research and development	<u>42,935</u>	<u>-</u>	<u>(733)</u>	<u>42,202</u>	Research and development	(7) and (8)
Total operating expenses	<u>145,106</u>	<u>-</u>	<u>(1,840)</u>	<u>143,266</u>	Total operating expenses	
OPERATING LOSS	<u>(44,231)</u>	<u>-</u>	<u>2,157</u>	<u>(42,074)</u>	OPERATING LOSS	
NONOPERATING INCOME AND GAINS					NONOPERATING INCOME AND GAINS	
Interest income	5,457	-	-	5,457	Interest income	
Investment income recognized under the equity method	143,282	-	119	143,401	Share of profits of subsidiaries	
Miscellaneous income	<u>14,420</u>	<u>-</u>	<u>-</u>	<u>14,420</u>	Other income and gains	
Total nonoperating income and gains	<u>163,159</u>	<u>-</u>	<u>119</u>	<u>163,278</u>	Total nonoperating income and gains	
NONOPERATING EXPENSES AND LOSSES					NONOPERATING EXPENSES AND LOSSES	
Interest expense	24,953	-	-	24,953	Finance costs	
Foreign exchange loss, net	9,324	-	-	9,324	Foreign exchange loss, net.	
Miscellaneous expenses	<u>3,093</u>	<u>-</u>	<u>-</u>	<u>3,093</u>	Other expenses and losses	
Total nonoperating expenses and losses	<u>37,370</u>	<u>-</u>	<u>-</u>	<u>37,370</u>	Total nonoperating expenses and losses	
STANDALONE INCOME BEFORE INCOME TAX	81,558	-	2,276	83,834	STANDALONE INCOME BEFORE INCOME TAX	(7) and (8)
INCOME TAX BENEFIT	<u>(3,386)</u>	<u>-</u>	<u>367</u>	<u>(3,019)</u>	INCOME TAX REVENUE	(7) and (8)
STANDALONE NET INCOME	<u>\$ 84,944</u>	<u>\$ -</u>	<u>\$ 1,909</u>	86,853	STANDALONE NET INCOME	
				(108,926)	EXCHANGE DIFFERENCES ARISING ON TRANSIATION OF FOREIGN OPERATIONS	
				4,966	UNREALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	
				(649)	INCOME TAX BENEFIT RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME	
				<u>(104,609)</u>	OTHER COMPREHENSIVE INCOME	
				<u>\$ (17,756)</u>	TOTAL COMPREHENSIVE INCOME	

Note : Refer to Note 29-d) Exemptions, and e). Explanation of significant reconciling items in the transition to the Regulations.