Pou Chen Corporation

Financial Statements for the
Years Ended December 31, 2013 and 2012 and
Independent Auditors’ Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Pou Chen Corporation

We have audited the accompanying balance sheets of Pou Chen Corporation (the "Company") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method in the financial statements based on financial statements audited by other auditors. Our opinion, insofar as it relates to Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2013, December 31, 2012 and January 1, 2012, the carrying value of the investments was 4.84% ($4,357,308 thousand), 10.83% ($9,719,137 thousand) and 10.70% ($8,765,886 thousand) of the total assets, respectively. For the years ended December 31, 2013 and 2012, the share of profit of the associate was 25.05% ($2,925,285 thousand) and 14.83% ($1,635,929 thousand) of the income before income tax, respectively.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and their 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.

Deloitte & Touche

March 28, 2014

<u>*Notice to Readers*</u>

The accompanying 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 independent 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 independent auditors' report and financial statements shall prevail.

POU CHEN CORPORATION

BALANCE SHEETS
(In Thousands of New Taiwan Dollar)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	$ 1,091,386	1	$ 2,277,920	3	$ 202,213	-
Financial assets at fair value through profit or loss, current (Notes 4 and 7)	13,523	-	-	-	-	-
Available-for-sale financial assets, current (Notes 4 and 8)	4,473,233	5	3,723,007	4	3,282,473	4
Debt investments with no active market, current (Notes 4 and 9)	902,341	1	-	-	-	-
Notes receivable (Notes 4 and 10)	14,438	-	20,660	-	5,424	-
Notes receivable from related parties (Notes 4, 10 and 31)	65	-	302	-	43,887	-
Accounts receivables (Notes 4 and 10)	62,027	-	91,536	-	87,975	-
Accounts receivables from related parties (Notes 4, 10 and 31)	1,441,071	2	1,439,146	2	1,302,578	2
Other receivables (Notes 4, 10 and 31)	226,597	-	167,596	-	202,489	-
Inventories (Notes 4 and 11)	119,631	-	150,447	-	175,754	-
Other assets, current (Notes 4 and 12)	29,959	-	34,042	-	26,702	-
Total current assets	8,374,271	9	7,904,656	9	5,329,495	6
NONCURRENT ASSETS						
Financial assets measured at cost, noncurrent (Notes 4 and 13)	60,000	-	60,000	-	60,000	-
Investments accounted for by the equity method (Notes 4 and 14)	75,194,349	84	75,243,566	84	70,016,567	86
Property, plant and equipment (Notes 4 and 15)	4,145,123	5	3,724,076	4	3,855,071	5
Investment properties (Notes 4 and 16)	2,152,083	2	2,682,419	3	2,542,661	3
Deferred tax assets (Notes 4 and 25)	124,075	-	140,863	-	131,190	-
Other assets, noncurrent (Notes 4 and 12)	41,748	-	15,184	-	19,949	-
Total noncurrent assets	81,717,378	91	81,866,108	91	76,625,438	94
TOTAL	$ 90,091,649	100	$ 89,770,764	100	$ 81,954,933	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	$ 6,320,000	7	$ 87,165	-	$ 3,750,000	5
Short-term bills payable (Note 17)	-	-	-	-	499,133	1
Financial liabilities at fair value through profit or loss, current (Notes 4 and 7)	17,632	-	28,809	-	16,998	-
Derivative financial liabilities for hedging, current (Notes 4 and 18)	-	-	5,430	-	22,901	-
Notes payables (Notes 4 and 19)	11,799	-	19,339	-	35,704	-
Notes payables from related parties (Notes 4, 19 and 31)	38,804	-	38,182	-	25,843	-
Accounts payables (Notes 4 and 19)	1,112,757	1	1,139,699	1	1,050,941	1
Accounts payables from related parties (Notes 4, 19 and 31)	102,675	-	90,910	-	102,747	-
Other payables (Note 20)	900,489	1	975,842	1	803,123	1
Current tax liabilities (Notes 4 and 25)	1,228,279	2	597,872	1	456,917	-
Current portion of long-term borrowings (Note 17)	-	-	5,000,000	6	-	-
Other liabilities, current	31,867	-	33,990	-	23,057	-
Total current liabilities	9,764,302	11	8,017,238	9	6,787,364	8
NONCURRENT LIABILITIES						
Derivative financial liabilities for hedging, noncurrent (Notes 4 and 18)	-	-	-	-	11,450	-
Long-term borrowings (Note 17)	16,970,484	19	17,464,434	20	16,949,777	21
Deferred tax liabilities (Notes 4 and 25)	593,231	-	777,699	1	555,637	1
Accrued pension liabilities (Notes 4 and 21)	1,534,353	2	1,286,665	1	1,090,159	1
Other liabilities, noncurrent	18,397	-	25,365	-	64,803	-
Total noncurrent liabilities	19,116,465	21	19,554,163	22	18,671,826	23
Total liabilities	28,880,767	32	27,571,401	31	25,459,190	31
EQUITY (Notes 4 and 22)						
Share capital	29,441,372	32	29,431,849	33	29,241,469	35
Capital surplus	4,366,099	5	4,298,105	5	3,835,905	5
Retain earnings						
Legal reserve	8,336,553	9	7,320,919	8	6,740,247	8
Special reserve	4,435,090	5	3,128,375	3	3,283,792	4
Unappropriated earnings	24,000,543	27	20,234,617	23	14,529,965	18
	36,772,186	41	30,683,911	34	24,554,004	30
Other equity	(9,180,047)	(10)	(2,025,774)	(3)	(940,846)	(1)
Treasury shares	(188,728)	-	(188,728)	-	(194,789)	-
Total equity	61,210,882	68	62,199,363	69	56,495,743	69
TOTAL	$ 90,091,649	100	$ 89,770,764	100	$ 81,954,933	100

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

(With Deloitte & Touche audit report dated March 28, 2014)

POU CHEN CORPORATION

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 31)	$ 12,051,187	100	$ 10,916,775	100
OPERATING COSTS (Notes 24 and 31)	8,806,353	73	8,066,394	74
GROSS PROFIT	3,244,834	27	2,850,381	26
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	(6,295)	-	(710)	-
REALIZED GROSS PROFIT	3,238,539	27	2,849,671	26
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	80,906	1	98,484	1
General and administrative expenses	1,579,594	13	1,692,799	15
Research and development expenses	973,119	8	942,833	9
Total operating expenses	2,633,619	22	2,734,116	25
INCOME FROM OPERATIONS	604,920	5	115,555	1
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 31)	448,754	4	374,132	3
Other gains and losses (Note 24)	267,901	2	(955,336)	(9)
Finance costs (Note 24)	(374,833)	(3)	(361,969)	(3)
Share of profit of subsidiaries and associates	10,732,899	89	11,858,108	109
Total non-operating income and expenses	11,074,721	92	10,914,935	100
INCOME BEFORE INCOME TAX	11,679,641	97	11,030,490	101
INCOME TAX EXPENSE (Notes 4 and 25)	(1,060,192)	(9)	(812,801)	(8)
NET INCOME	10,619,449	88	10,217,689	93
OTHER COMPREHENSIVE INCOME (LOSS), NET				
Unrealized gain on available-for-sale financial assets	469,074	4	440,534	4
Cash flow hedges	5,430	-	28,921	-
Actuarial loss arising from defined benefit plans (Note 21)	(239,109)	(2)	(187,790)	(1)
Share of other comprehensive loss of subsidiaries and associates	(7,504,637)	(62)	(1,630,209)	(15)
Other comprehensive loss, net	(7,269,242)	(60)	(1,348,544)	(12)
TOTAL COMPREHENSIVE INCOME	$ 3,350,207	28	$ 8,869,145	81

(Continued)

POU CHEN CORPORATION

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 26)				
Basic	$ 3.62		$ 3.49	
Diluted	$ 3.53		$ 3.43	

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

(With Deloitte & Touche audit report dated March 28, 2014) (Concluded)

POU CHEN CORPORATION

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

			Retained Earnings			Other Equity				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Shares	Total
BALANCE AT JANUARY 1, 2012	$ 29,241,469	$ 3,835,905	$ 6,740,247	$ 3,283,792	$ 14,529,965	$ -	$ (906,495)	$ (34,351)	$ (194,789)	$ 56,495,743
Appropriation of 2011 earnings (Note 22)										
Legal reserve	-	-	580,672	-	(580,672)	-	-	-	-	-
Special reserve	-	-	-	(155,417)	155,417	-	-	-	-	-
Cash dividends	-	-	-	-	(3,824,166)	-	-	-	-	(3,824,166)
	-	-	580,672	(155,417)	(4,249,421)	-	-	-	-	(3,824,166)
Net income for the year ended December 31, 2012	-	-	-	-	10,217,689	-	-	-	-	10,217,689
Other comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	(263,616)	(1,843,619)	729,770	28,921	-	(1,348,544)
Total other comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	9,954,073	(1,843,619)	729,770	28,921	-	8,869,145
The treasury share resold by the subsidiaries (Note 22)	-	2,597	-	-	-	-	-	-	6,061	8,658
Adjustment in capital surplus from cash dividends received by subsidiaries	-	13,294	-	-	-	-	-	-	-	13,294
Change in capital surplus from investments in subsidiaries accounted for using equity method	-	441,509	-	-	-	-	-	-	-	441,509
Execution of employee stock warrants (Notes 22 and 27)	190,380	4,800	-	-	-	-	-	-	-	195,180
Change in equity for the year ended December 31, 2012	190,380	462,200	580,672	(155,417)	5,704,652	(1,843,619)	729,770	28,921	6,061	5,703,620
BALANCE, DECEMBER 31, 2012	29,431,849	4,298,105	7,320,919	3,128,375	20,234,617	(1,843,619)	(176,725)	(5,430)	(188,728)	62,199,363
Special reserve under Rule No. 1010012865 issued by the FSC (Note 22)	-	-	-	134,641	(134,641)	-	-	-	-	-
Appropriation of 2012 earnings (Note 22)										
Legal reserve	-	-	1,015,634	-	(1,015,634)	-	-	-	-	-
Special reserve	-	-	-	1,172,074	(1,172,074)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,416,205)	-	-	-	-	(4,416,205)
	-	-	1,015,634	1,172,074	(6,603,913)	-	-	-	-	(4,416,205)
Net income for the year ended December 31, 2013	-	-	-	-	10,619,449	-	-	-	-	10,619,449
Other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	(114,969)	1,864,395	(9,024,098)	5,430	-	(7,269,242)
Total other comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	10,504,480	1,864,395	(9,024,098)	5,430	-	3,350,207
Adjustment in capital surplus from cash dividends received by subsidiaries	-	14,899	-	-	-	-	-	-	-	14,899
Change in capital surplus from investments in subsidiaries accounted for using equity method	-	43,382	-	-	-	-	-	-	-	43,382
Execution of employee stock warrants (Notes 22 and 27)	9,523	9,713	-	-	-	-	-	-	-	19,236
Change in equity for the year ended December 31, 2013	9,523	67,994	1,015,634	1,306,715	3,765,926	1,864,395	(9,024,098)	5,430	-	(988,481)
BALANCE, DECEMBER 31, 2013	$ 29,441,372	$ 4,366,099	$ 8,336,553	$ 4,435,090	$ 24,000,543	$ 20,776	$ (9,200,823)	$ -	$ (188,728)	$ 61,210,882

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

(With Deloitte & Touche audit report dated March 28, 2014)

POU CHEN CORPORATION

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

	For the Year Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 11,679,641	$ 11,030,490
Adjustments for:		
Depreciation expenses	231,998	260,127
(Gain) loss on fair value change of financial instruments at fair value through profit or loss	(27,269)	9,440
Unrealized gain on transactions with subsidiaries	6,295	710
Finance costs	374,833	361,969
Interest income	(21,666)	(5,470)
Dividend income	(181,298)	(137,728)
Share of profit of subsidiaries and associates	(10,732,899)	(11,858,108)
Net gain on disposal of property, plant and equipment	(19,903)	(2,054)
Gain on disposal of subsidiaries	(178,531)	(1,145)
Impairment loss	-	843,299
Changes in operating assets and liabilities		
Decrease in financial instruments at fair value through profit or loss	2,569	2,371
Decrease (increase) in notes receivable	6,222	(15,236)
Decrease in notes receivable from related parties	237	43,585
Decrease (increase) in accounts receivables	29,509	(3,561)
Increase in accounts receivables from related parties	(1,925)	(136,568)
(Increase) decrease in other receivables	(55,656)	34,878
Decrease in inventories	30,816	25,307
Decrease in other assets, current	4,083	11,827
Increase in other operating assets	(12,434)	(8,016)
Decrease in notes payable	(7,540)	(16,365)
Increase in notes payable from related parties	622	12,339
(Decrease) increase in accounts payables	(26,942)	88,758
Increase (decrease) in accounts payables from related parties	11,765	(11,837)
(Decrease) increase in other payables	(40,951)	165,233
(Decrease) increase in other liabilities, current	(2,123)	10,933
Increase in accrued pension liabilities	8,579	8,716
Cash generated from operations	1,078,032	713,894
Interest paid	(363,882)	(354,431)
Income tax paid	(597,464)	(457,480)
Net cash generated from (used in) operating activities	116,686	(98,017)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets, current	(281,152)	-
Acquisition of debt investments with no active market, current	(902,341)	-
Acquisition of associates	(2,000,000)	-
Net cash inflow on disposal of subsidiaries	564,965	742,401
Proceeds from capital return of subsidiaries and associates	618,030	599,000
Acquisition of property, plant and equipment	(135,249)	(148,777)

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POU CHEN CORPORATION

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

	For the Year Ended December 31	
	2013	2012
Proceeds from disposal of property, plant and equipment	$ 10,081	$ 9,696
Increase in refundable deposits	(1,272)	(98)
Acquisition of investment properties	(76)	(113,370)
Increase in prepayments for equipment	(24,395)	(7,179)
Interest received	18,321	5,484
Dividend received from subsidiaries and associates	4,434,548	3,385,885
Cash dividends from reduction of capital surplus from subsidiaries and associates	69,509	316,901
Net cash generated from investing activities	2,370,969	4,789,943
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	6,232,835	-
Decrease in short-term borrowings	-	(3,662,835)
Decrease in short-term bills payable	-	(500,000)
Proceeds from long-term borrowings	-	5,500,000
Repayments of long-term borrowings	(5,525,000)	-
Cash dividends	(4,416,205)	(3,824,166)
Increase in guarantee deposits received	14,945	-
Execution of employee stock warrants	19,236	195,180
Acquisition of interests in subsidiaries	-	(324,398)
Net cash used in financing activities	(3,674,189)	(2,616,219)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,186,534)	2,075,707
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,277,920	202,213
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,091,386	$ 2,277,920

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

(With Deloitte & Touche audit report dated March 28, 2014) (Concluded)

POU CHEN CORPORATION

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

1. GENERAL INFORMATION

Pou Chen Corporation (the "Company") is located in Changhwa County, Taiwan, and currently has one factory and nine trade departments. The Company's business activities include manufacturing and sales of various kinds of shoes, and import and export of related products and materials. The Company also invests significantly in shoes and electronics industries to diversify its business operation. The Company invested in Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") and other footwear - related companies through Wealthplus Holdings Limited. Yue Yuen and Pou Sheng International (Holdings) Limited ("Pou Sheng"), a subsidiary of Yue Yuen, are listed on Hong Kong Exchange and Clearing Limited.

In January 1990, the Company started to trade its stocks on the Taiwan Stock Exchange.

The financial statements are presented in New Taiwan dollars, the functional currency of the Company.

As at December 31, 2013 and 2012, there were 2,964 and 3,084 employees, respectively, in the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 28, 2014.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Amended and revised standards 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 Republic of China ("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 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.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
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 “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 “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 s”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note 1)
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
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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 July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after July 1, 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 that would result from adoption of New IFRSs in issue but not yet effective

Except for the following, the impending initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies:

1) IFRS 9 "Financial Instruments"

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.

2) 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.

3) 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.

4) 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 Company 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.

5) Annual Improvements to IFRSs: 2010-2012 Cycle

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.

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

As of the date the financial statements were authorized for issue, the Company is continuingly assessing the possible impact that the application of other standards and interpretations 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 POLICY

The Company’s financial statements for the year ended December 31, 2013 are its first IFRS financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Statement of Compliance

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

Basis of Preparation

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

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net income 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, there were no differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for using equity method, share of profit or loss, share of other comprehensive income, and related equity items.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. 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:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period; and

c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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 financial statements, the assets and liabilities of the Company's foreign subsidiaries in other countries 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, and attributed to the owners of the Company and noncontrolling interests as appropriate.

On the disposal of a foreign subsidiary and the Company loss of control over the subsidiary, all of the exchange differences accumulated in equity are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. 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 weighted-average cost on the balance sheet date.

Investments Accounted for by the Equity Method

Investments in subsidiaries and associates are accounted for using the equity method.

a. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment 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 in subsidiary 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 continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and 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. Furthermore, 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 the Company had directly disposed of the related assets or liabilities.

Profits and losses from upstream transactions with a subsidiary are eliminated in full.

b. Investments in an associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, the investment in associates are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associates. The Company also recognizes the changes in the Company's share of equity of associates.

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

When the Company's share of losses of an associates equals or exceeds its interest in that associates (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 associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate 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 entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

At the date on which the Company ceases to have significant influence over the associates, any retained investment is measured at fair value. The difference between the previous carrying amount of the associates attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associates on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Property, Plant and Equipment

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

Cost includes 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. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

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.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Impairment of Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its 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.

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.

Financial Instruments

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

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

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 financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

   1) 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.

      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.

2) 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 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's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as "financial assets carried at cost". If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

3) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalent, debt investments with no active market, and other receivables) 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 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 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.

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 receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable 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.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognized and deducted directly in 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.

Financial liabilities

a. Measurement category

Except for financial liabilities at fair value through profit or loss, 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.

b. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risks and exchange rate risks, including forward exchange contracts, exchange rate swaps contracts, exchange rate options contracts and cross-currency swap 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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. 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.

Hedge Accounting

The Company designates certain hedging instruments as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When the forecast transaction is ultimately recognized in profit or loss, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss or are included in the initial cost of the non-financial asset or non-financial liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

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.

a. Sale of goods

   Sales of goods are recognized when goods are delivered and title has passed.

b. Rendering of services

   Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

c. 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.

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.

a. The Company as lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

b. The Company as lessee

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. 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 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.

Taxation

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

a. Current tax

   According to the Income Tax Law in the ROC, 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.

b. Deferred tax

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the 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 and unused loss carry forward 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 and associates, and interests in joint ventures, 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.

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.

c. Current and deferred tax for the year

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies (refer to Note 4), 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 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 discounted at the financial asset's original effective interest rate.

b. Fair value of financial instruments

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. The estimation of fair value of unlisted equity instruments was based on the analysis in relation to the financial position and the operation results of investees. 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 impairment

The Company reviews the estimated useful lives of property, plant and equipment at each balance sheet date. The impairment of equipment was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

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.

e. Impairment of investment in the associate

The Company immediately recognizes impairment loss on its net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

f. 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 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.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 2,408	$ 2,119	$ 2,020
Checking accounts and demand deposits	332,989	1,860,801	200,193
Cash equivalent			
Time deposits with original maturities less than three months	755,989	-	-
Repurchase agreements collateralized by bonds	-	415,000	-
	$ 1,091,386	$ 2,277,920	$ 202,213

The market rate intervals of cash in bank, time deposits with original maturities less than three months and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Demand deposits	0.01%-0.72%	0.01%-0.17%	0.01%-0.17%
Time deposits with original maturities less than three months	3.05%-3.22%	-	-
Repurchase agreements collateralized by bonds	-	0.79%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Exchange rate swap contracts (a)	$ 13,523	$ -	$ -
Current	$ 13,523	$ -	$ -
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Interest rate swap contracts (b)	$ 17,632	$ 26,240	$ 16,490
Cross-currency swap contracts (c)	-	2,569	-
Exchange rate option contracts (d)	-	-	508
	$ 17,632	$ 28,809	$ 16,998
Current	$ 17,632	$ 28,809	$ 16,998

a. At the end of the reporting period, outstanding exchange rate swap contracts not under hedge accounting were as follows:

Bank	Principal	Maturity Date	Contracted Rate	Fair Value
ANZ Bank	US$ 20,000,000	2014.02.25	29.226	$ 10,050
DBS Bank	5,000,000	2014.01.06	29.510	1,410
DBS Bank	7,000,000	2014.01.28	29.481	2,063
				$ 13,523

The Company entered into exchange rate swap contracts during 2013 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

b. At the end of the reporting period, outstanding interest rate swap contracts not under hedge accounting were as follows:

December 31, 2013

Bank	Item	Principal	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
Chinatrust Commercial Bank	Interest rate swap contracts	$ 375,000	2014.12.02	1.135	0.863	$ (731)
Chinatrust Commercial Bank	"	250,000	2014.12.02	0.935	0.863	(113)
Chinatrust Commercial Bank	"	600,000	2018.06.01	1.310	-	(348)
Citibank	"	375,000	2014.12.02	1.135	0.863	(753)

(Continued)

Bank	Item	Principal	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
Citibank	Interest rate swap contracts	$ 250,000	2014.12.02	0.843	0.863	$ 44
Citibank	"	500,000	2018.06.01	1.340	-	(738)
Taipei Fubon Bank	"	250,000	2014.12.02	1.140	0.863	(496)
Taipei Fubon Bank	"	875,000	2016.09.29	1.066	0.883	(1,368)
Taipei Fubon Bank	"	700,000	2016.09.29	1.180	0.883	(2,766)
Taipei Fubon Bank	"	500,000	2016.09.29	0.967	0.883	255
Taipei Fubon Bank	"	700,000	2016.09.29	0.990	0.883	16
Taipei Fubon Bank	"	900,000	2018.06.01	1.310	-	(519)
Taipei Fubon Bank	"	500,000	2018.06.01	1.278	-	140
Taipei Fubon Bank	"	300,000	2018.06.01	1.265	-	188
E.SUN Bank	"	250,000	2014.12.02	1.140	0.863	(431)
E.SUN Bank	"	700,000	2016.09.29	1.183	0.883	(2,862)
E.SUN Bank	"	700,000	2016.09.29	0.990	0.883	(31)
E.SUN Bank	"	500,000	2018.06.01	1.290	-	(157)
SinoPac Bank	"	875,000	2016.09.29	1.066	0.883	(1,400)
SinoPac Bank	"	700,000	2016.09.29	1.183	0.883	(2,826)
SinoPac Bank	"	600,000	2016.09.29	0.990	0.883	(9)
Ta Chong Bank	"	700,000	2016.09.29	1.183	0.883	(2,822)
ANZ Bank	"	500,000	2018.06.01	1.280	-	(9)
ANZ Bank	"	200,000	2018.06.01	1.260	-	104
		$ 12,800,000				$ (17,632)

(Concluded)

December 31, 2012

Bank	Item	Principal	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
Chinatrust Commercial Bank	Interest rate swap contracts	$ 750,000	2014.12.02	1.135	0.887	$ (2,108)
Chinatrust Commercial Bank	"	500,000	2014.12.02	0.935	0.887	(166)
Citibank	"	750,000	2014.12.02	1.135	0.887	(2,073)
Citibank	"	500,000	2014.12.02	0.843	0.887	427
Taipei Fubon Bank	"	500,000	2014.12.02	1.140	0.887	(1,420)
Taipei Fubon Bank	"	875,000	2016.09.29	1.066	-	(2,033)
Taipei Fubon Bank	"	700,000	2016.09.29	1.180	-	(3,482)
Taipei Fubon Bank	"	500,000	2016.09.29	0.967	-	(11)
E.SUN Bank	"	500,000	2014.12.02	1.140	0.887	(1,348)
E.SUN Bank	"	700,000	2016.09.29	1.183	-	(3,869)
SinoPac Bank	"	875,000	2016.09.29	1.066	-	(2,436)
SinoPac Bank	"	700,000	2016.09.29	1.183	-	(3,847)
Ta Chong Bank	"	700,000	2016.09.29	1.183	-	(3,874)
		$ 8,550,000				$ (26,240)

January 1, 2012

Bank	Item	Principal	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
Chinatrust Commercial Bank	Interest rate swap contracts	$ 750,000	2014.12.02	1.135	0.861	$ (4,705)
Chinatrust Commercial Bank	"	500,000	2014.12.02	0.935	0.861	(906)
Citibank	"	750,000	2014.12.02	1.135	0.861	(4,680)
Citibank	"	500,000	2014.12.02	0.843	0.839	109
Taipei Fubon Bank	"	500,000	2014.12.02	1.140	0.861	(3,164)
E.SUN Bank	"	500,000	2014.12.02	1.140	0.861	(3,144)
		$ 3,500,000				$ (16,490)

The Company entered into interest rate swap contracts during 2013 and 2012 to manage exposures to interest rate fluctuations. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

c. At the end of the reporting period, outstanding cross-currency swap contracts not under hedge accounting were as follows:

December 31, 2012

Name	Principal	Maturity Date	Forward Rate	Forward Interest %	Fair Value
ANZ Bank	US$3,000,000	2013.06.17	29.93	0.35	$ (2,569)

The Company entered into cross-currency swap contracts during 2013 to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

d. At the end of the reporting period, outstanding exchange rate option contracts not under hedge accounting were as follows:

January 1, 2012

Item	Type	Buy/Sale	Premium Amount	Contract Amount	Fair Value
Exchange rate option contracts	Put	Sell	$ 1,974	US$ 9,000,000	$ (508)

The Company entered into exchange rate option contracts during 2012 to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic investments			
Listed shares	$ 4,473,233	$ 3,723,007	$ 3,282,473

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits with original maturity more than three months	$ 902,341	$ -	$ -

The market interest rates of the time deposits with original maturity more than three months were 3.31%-3.32% as of December 31, 2013.

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable			
Notes receivable - operating	$ 13,530	$ 20,573	$ 48,816
Notes receivable - nonoperating	973	389	495
Less: Allowance for doubtful accounts	-	-	-
	$ 14,503	$ 20,962	$ 49,311
Accounts receivable			
Accounts receivable	$ 1,503,098	$ 1,531,444	$ 1,391,915
Less: Allowance for doubtful accounts	-	(762)	(1,362)
	$ 1,503,098	$ 1,530,682	$ 1,390,553
Other receivables			
Tax refund receivables	$ 58,673	$ 58,534	$ 49,446
Other	167,924	109,062	153,043
Less: Allowance for doubtful accounts	-	-	-
	$ 226,597	$ 167,596	$ 202,489

In determining the recoverability of accounts receivable, the Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss was recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties.

a. Notes receivable

The note receivable balances at December 31, 2013, December 31, 2012 and January1, 2012 were not past due.

b. Accounts receivable

1) The ages of the accounts receivable as at December 31, 2013 and 2012, and January 1, 2012 were as follows:

December 31, 2013

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Less than 30 days	$ 1,042,209	$ -	$ -	$ -	$ 1,042,209
31-90 days	460,889	-	-	-	460,889
More than 91 days	-	-	-	-	-
	$ 1,503,098	$ -	$ -	$ -	$ 1,503,098

December 31, 2012

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Less than 30 days	$ 1,016,088	$ -	$ -	$ -	$ 1,016,088
31-90 days	514,594	-	-	-	514,594
More than 91 days	-	-	-	762	762
	$ 1,530,682	$ -	$ -	$ 762	$ 1,531,444

January 1, 2012

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Less than 30 days	$ 829,756	$ -	$ -	$ -	$ 829,756
31-90 days	465,356	-	-	-	465,356
More than 91 days	95,441	-	-	1,362	96,803
	$ 1,390,553	$ -	$ -	$ 1,362	$ 1,391,915

The above aging schedule was based on the invoice date.

2) Movements in the allowance for impairment loss recognized on accounts receivable were as follows:

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ 762	$ 1,362
Less: Reversed of impairment losses	-	(600)
Less: Amounts written off	(762)	-
Balance at December 31	$ -	$ 762

11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Raw materials	$ 64,080	$ 100,485	$ 112,036
Supplies	2,035	2,465	1,104
Work-in-process	2,086	2,776	7,284
Finished goods	40,203	35,569	49,698
Merchandise	11,227	9,152	5,632
	$ 119,631	$ 150,447	$ 175,754

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 was $8,806,353 thousand and $8,066,394 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2012 included inventory write-downs of $21,000 thousand.

12. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Prepayments	$ 24,401	$ 25,706	$ 12,638
Supplies inventory	1,801	2,397	2,701
Temporary payments	1,971	5,518	11,363
Value-added tax retained	1,786	421	-
	$ 29,959	$ 34,042	$ 26,702
Noncurrent			
Prepayments	$ 17,418	$ 5,308	$ 6,574
Prepayments for equipment	12,857	-	130
Refundable deposits	11,148	9,876	9,778
Others	325	-	3,467
	$ 41,748	$ 15,184	$ 19,949

13. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic shares			
Unlisted shares	$ 60,000	$ 60,000	$ 60,000
Classified according to measurement categories			
Available-for-sale financial assets	$ 60,000	$ 60,000	$ 60,000

a. Management believed that the above investments held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

b. The Company had recorded impairment loss in the amount of $80,000 thousand, equal to the investment cost for DTE Technologies Corp. In addition, DTE Technologies Corp. resolved to liquidate and dissolve on November 25, 2013.

14. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in subsidiaries	$ 68,540,615	$ 63,100,480	$ 57,622,473
Investments in associates	$ 6,653,734	$ 12,143,086	$ 12,394,094

a. Investments in subsidiaries

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted companies	$ 68,540,615	$ 63,100,480	$ 57,622,473

At the end of the reporting period, the proportion of ownership and voting rights in subsidiary held by the Company were as follows:

Name of Associate	December 31, 2013	December 31, 2012	January 1, 2012
Wealthplus Holdings Limited	100.00%	100.00%	100.00%
Win Fortune Investments Limited	100.00%	100.00%	100.00%
Windsor Entertainment Co., Ltd.	100.00%	100.00%	100.00%
Pou Shine Investments Co., Ltd.	100.00%	100.00%	100.00%
Pan Asia Insurance Services Co., Ltd.	100.00%	100.00%	100.00%
Barits Development Corporation	99.47%	99.47%	99.47%
Pou Yuen Technology Co., Ltd.	97.82%	97.82%	97.80%
Pro Arch International Development Enterprise Inc.	96.32%	96.32%	96.32%
Pou Yii Development Co., Ltd.	15.00%	15.00%	15.00%
Wang Yi Construction Co., Ltd.	7.82%	7.82%	7.82%
LNC Technology Co., Ltd.	-	77.00%	76.96%
Ming Wang Investments Co., Ltd.	-	-	100.00%
Proshine Healthcare Co., Ltd.	-	-	100.00%
Vistas Design Co., Ltd.	-	-	100.00%
Yun Yang Investments Co., Ltd.	-	-	91.15%
Right and Great Asia-Pacific Realty Development Co., Ltd.	-	-	70.00%

1) The Company holds less than 50% interest in Pou Yii and Wang Yi, but the Company and its subsidiaries hold more than 50% interest in Pou Yii and Wang Yi; therefore, the Company has control over Pou Yii and Wang Yi.

2) Because of the Company’s investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. (”Ruen Chen”), the Company received a request by the Insurance Bureau of the FSC for the Company to provide 61,295 thousand ordinary shares of Yue Yuen in the custody of the Trust Department of Mega International Commercial Bank during the period from June 27, 2011 to June 27, 2021.

3) In August 2013, the Company sold all of its shares in LNC Technology (refer to Note 28).

4) On September 10, 2012, Pou Shine, Ming Wang, and Yun Yang resolved to merge themselves into one company. Pou Shine is the surviving company, and Ming Wang and Yun Yang are the dissolved companies.

5) The Company purchased additional 18,000 thousand shares in Right and Great Asia-Pacific from non-related parties in March and June 2012. The consideration was $324,000 thousand.

6) In 2012, Vistas Design, Proshine Healthcare and Right and Great Asia-Pacific resolved to liquidate and dissolve. Accordingly, the Company received $742,401 thousand after the liquidation of those companies.

7) The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2013 and 2012 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investments in associates

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Listed companies	$ 2,296,426	$ 2,423,949	$ 3,628,208
Unlisted companies	$ 4,357,308	$ 9,719,137	$ 8,765,886

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Company were as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Techview International Technology Inc.	30.00%	30.00%	30.00%
Ruen Chen Investment Holding Co., Ltd.	20.00%	20.00%	20.00%
Elitegroup Computer Systems Co., Ltd.	12.63%	12.63%	12.63%

1) In September 2013, Ruen Chen issued additional capital stock of 1,000,000 thousand shares, at $10 per share, of which 200,000 thousand shares, in the amount of $2,000,000 thousand, were subscribed by the Company in proportion to the percentage of ownership.

2) The Company holds less than 20% interest of Elite Computer Systems Co., Ltd. but the Company has the power to appoint three out of the nine directors of Elite Computer Systems Co., Ltd.; therefore, the Company is able to exercise significant influence over Elite Computer Systems Co., Ltd.

3) Based on the result of the assessment, the Company recognized an impairment loss of $843,299 thousand on the investment in Elitegroup Computer Systems Co., Ltd. during 2012.

4) The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2013 and 2012 were based on the associates' financial statements audited by auditors for the same years.

5) Fair values of investments in associates for which there are published price quotation are summarized as follows (based on the closing price of those investments at the balance sheet date):

Name of Associate	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**
Elitegroup Computer Systems Co., Ltd.	$ 1,580,170	$ 1,343,839	$ 949,208

6) The summarized financial information in respect of the Company's associates is set out below:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Total assets	$ 2,506,109,350	$ 2,261,415,264	$ 1,975,351,125
Total liabilities	$(2,454,966,565)	$(2,178,237,972)	$(1,899,637,398)

	For the Year Ended December 31	
	2013	2012
Revenue	$ 545,719,549	$ 530,464,772
Net income	$ 20,265,769	$ 12,764,043
Other comprehensive income	$ (56,593,206)	$ (4,450,454)
Share of profit of associates	$ 3,383,168	$ 1,681,253

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery Equipment	Transportation Equipment	Furniture, Fixtures and Office Equipment	Other Equipment	Total
Cost							
Balance at January 1, 2012	$ 1,262,097	$ 3,815,150	$ 524,818	$ 220,998	$ 359,766	$ 68,766	$ 6,251,595
Additions	40,755	51,065	38,955	11,854	10,678	2,546	155,853
Disposals	-	(13,774)	(58,739)	(12,446)	(18,384)	(1,245)	(104,588)
Transfer from prepayments for equipment	400	-	3,186	3,723	-	-	7,309
Transfer from (to) investment property	2,293	(165,197)	-	-	-	-	(162,904)
Balance at December 31, 2012	$ 1,305,545	$ 3,687,244	$ 508,220	$ 224,129	$ 352,060	$ 70,067	$ 6,147,265
Accumulated depreciation							
Balance at January 1, 2012	$ -	$ 1,449,660	$ 409,926	$ 176,294	$ 305,076	$ 55,568	$ 2,396,524
Disposals	-	(9,801)	(56,193)	(11,550)	(18,244)	(1,158)	(96,946)
Depreciation expense	-	122,498	34,106	14,720	28,081	4,643	204,048
Transfer to investment property	-	(80,437)	-	-	-	-	(80,437)
Balance at December 31, 2012	$ -	$ 1,481,920	$ 387,839	$ 179,464	$ 314,913	$ 59,053	$ 2,423,189
Carrying amounts at January 1, 2012	$ 1,262,097	$ 2,365,490	$ 114,892	$ 44,704	$ 54,690	$ 13,198	$ 3,855,071
Carrying amounts at December 31, 2012	$ 1,305,545	$ 2,205,324	$ 120,381	$ 44,665	$ 37,147	$ 11,014	$ 3,724,076
Cost							
Balance at January 1, 2013	$ 1,305,545	$ 3,687,244	$ 508,220	$ 224,129	$ 352,060	$ 70,067	$ 6,147,265
Additions	-	58,414	26,535	8,625	21,757	5,223	120,554
Disposals	-	(231)	(32,256)	(21,886)	(18,349)	(923)	(73,645)
Transfer from prepayments for equipment	-	-	9,091	2,130	294	23	11,538
Transfer from investment property	330,523	256,465	-	-	-	-	586,988
Balance at December 31, 2013	$ 1,636,068	$ 4,001,892	$ 511,590	$ 212,998	$ 355,762	$ 74,390	$ 6,792,700
Accumulated depreciation							
Balance at January 1, 2013	$ -	$ 1,481,920	$ 387,839	$ 179,464	$ 314,913	$ 59,053	$ 2,423,189
Disposals	-	(179)	(24,601)	(20,514)	(18,172)	(720)	(64,186)
Depreciation expense	-	99,985	32,612	13,338	23,559	4,215	173,709
Transfer from investment property	-	114,865	-	-	-	-	114,865
Balance at December 31, 2013	$ -	$ 1,696,591	$ 395,850	$ 172,288	$ 320,300	$ 62,548	$ 2,647,577
Carrying amounts at January 1, 2013	$ 1,305,545	$ 2,205,324	$ 120,381	$ 44,665	$ 37,147	$ 11,014	$ 3,724,076
Carrying amounts at December 31, 2013	$ 1,636,068	$ 2,305,301	$ 115,740	$ 40,710	$ 35,462	$ 11,842	$ 4,145,123

a. The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Items	Estimated Useful Life
Buildings and improvements	
Main buildings	55 years
Elevator	15 years
Machinery equipment	5-12 years
Transportation equipment	5 years
Furniture, fixtures and office equipment	3-7 years
Other equipment	3-10 years

b. The Company has three parcels of land located in Changhwa County with carrying amount of $56,102 thousand. Due to certain restrictions under the land regulations, the ownership for these three parcels of land resides with a trustee through a trust agreement which prohibits the trustee from selling, pledging or hypothecating the property.

16. INVESTMENT PROPERTIES

	2013	2012
Cost		
Balance at January 1	$ 3,135,013	$ 2,858,739
Additions	76	113,370
Transferred (to) from property, plant and equipment	(586,988)	162,904
Balance at December 31	$ 2,548,101	$ 3,135,013
Accumulated depreciation		
Balance at January 1	$ 452,594	$ 316,078
Depreciation expense	58,289	56,079
Transferred (to) from property, plant and equipment	(114,865)	80,437
Balance at December 31	$ 396,018	$ 452,594
Carrying amounts at December 31, 2012	$ 2,682,419	$ 2,542,661
Carrying amounts at December 31, 2013	$ 2,152,083	$ 2,682,419

a. The above items of investment properties were depreciated on a straight-line method over the estimated useful life of the asset:

Items	Estimated Useful Life
Buildings	
Factories and main business buildings	55 years
Elevator equipment	15 years

b. The fair value valuation was performed by independent qualified professional valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value of the Company's investment properties at the end of the reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Investment property	$ 3,043,518	$ 3,471,955	$ 2,706,197

17. BORROWINGS

a. Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured borrowings			
Credit loans	$ 6,320,000	$ 87,165	$ 3,750,000

The range of effective interest rate on bank loans was 0.85%-1.20%, 1.034% and 0.95%-1.09% per annum as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

b. Short-term bills payable

January 1, 2012

	Annual Interest Rate %	Balance
Commercial paper	0.82	$ 500,000
Less: Unamortized discount on bills payable		(867)
		$ 499,133

c. Long-term borrowings

	Term	Article	Interest rate %	December 31, 2013	December 31, 2012	January 1, 2012
First Commercial Bank	2011.06.29-2016.09.29	Facility is $13,000,000 thousand. The principal due in semiannual installments commencing from March 27, 2015. Interest is paid semiannually.	1.46	$ 7,000,000	$ 10,750,000	$ 1,750,000
Bank of Taiwan (lead lender) syndication loan	2013.06.03-2018.06.03	Facility is $10,000,000 thousand. The principal is due in semiannual installment commencing from December 2, 2016. Interest is paid semiannually.	1.59	10,000,000	-	-
Chinatrust Commercial Bank (lead lender) syndication loan	2008.05.16-2013.05.16	Facility is $7,000,000 thousand. The principal due in semiannual installments commencing from November 16, 2011. Interest is paid semiannually. The principal were fully repaid in May 2013.	-	-	1,750,000	5,250,000
Chinatrust Commercial Bank (lead lender) syndication loan	2009.12.02-2014.12.02	Facility is $10,000,000 thousand. The principal due in semiannual installments commencing from June 2, 2013. The principal were fully prepaid in June 2013.	-	-	10,000,000	10,000,000
				17,000,000	22,500,000	17,000,000
Less: Current portion				-	(5,000,000)	-
Less: Long-term expense				(29,516)	(35,566)	(50,223)
				$ 16,970,484	$ 17,464,434	$ 16,949,777

Since the Company had refinanced the loans before December 31, 2012 and January 1, 2012, respectively, the current portion of the syndication loans of China Trust Commercial Bank was recorded under "long-term debt", accordingly.

18. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2013	December 31, 2012	January 1, 2012
Derivative financial liabilities under hedge accounting, current			
Cash flow hedges - interest rate swaps	$ -	$ 5,430	$ 22,901
Derivative financial liabilities under hedge accounting, noncurrent			
Cash flow hedges - interest rate swaps	$ -	$ 5,430	$ 11,450

The Company entered into interest rate swap contracts to mitigate the risk of changes in interest rates on the cash flow exposure related to the outstanding variable rate long-term borrowings. The interest swaps and the corresponding borrowings have the same terms, and management believes the interest rate swaps are highly effective hedging instruments.

The outstanding interest rate swap contracts at the end of the reporting period were as follows:

December 31, 2012

Bank	Item	Principal	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
China Trust Commercial Bank	Interest rate swap contracts	$ 125,000	2013.05.16	2.480	0.887	$ (971)
China Trust Commercial Bank	"	125,000	2013.05.16	2.280	0.887	(847)
Citibank	"	125,000	2013.05.16	2.480	0.887	(971)
Citibank	"	125,000	2013.05.16	2.460	0.887	(959)
Citibank	"	125,000	2013.05.16	2.280	0.887	(847)
Citibank	"	125,000	2013.05.16	2.260	0.887	(835)
		750,000				(5,430)
Less current portion		(750,000)				5,430
		$ -				$ -

January 1, 2012

Bank	Item	Principal	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
China Trust Commercial Bank	Interest rate swap contracts	$ 375,000	2013.05.16	2.480	0.861	$ (6,126)
China Trust Commercial Bank	"	375,000	2013.05.16	2.280	0.861	(5,380)
Citibank	"	375,000	2013.05.16	2.480	0.861	(6,122)
Citibank	"	375,000	2013.05.16	2.460	0.861	(6,047)
Citibank	"	375,000	2013.05.16	2.280	0.861	(5,375)
Citibank	"	375,000	2013.05.16	2.260	0.861	(5,301)
		2,250,000				(34,351)
Less current portion		(1,500,000)				22,901
		$ 750,000				$ (11,450)

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Notes payable			
Operating	$ 47,868	$ 56,004	$ 59,696
Nonoperating	2,735	1,517	1,851
	$ 50,603	$ 57,521	$ 61,547
Accounts payables	$ 1,215,432	$ 1,230,609	$ 1,153,688

The Company has financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Salaries and wages	$ 209,610	$ 202,369	$ 202,070
Payable for purchase of equipment	8,303	22,998	15,922
Compensation due to directors and supervisors	72,188	119,529	80,722
Employee bonus payable	290,465	260,700	161,307
Interest payable	29,978	51,258	44,328
Payable for annual leave	54,314	52,331	49,288
Others	235,631	266,657	249,486
	$ 900,489	$ 975,842	$ 803,123

21. 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 also 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 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 plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. However, in accordance with Regulations for Revenues, Expenditure, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Weighted-average discount rate	1.75%	1.375%	1.50%
Expected rate of return plan assets	2.00%	1.875%	2.00%
Average rate of increase in salaries	2.00%	2.00%	2.00%

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 are as follows:

	For the Year Ended December 31	
	2013	2012
Current service cost	$ 22,663	$ 22,994
Interest cost	21,842	21,742
Expected return on plan assets	(5,949)	(7,474)
	$ 38,556	$ 37,262
An analysis by function		
Operating cost	$ 941	$ 893
Marketing expenses	69	265
Administration expenses	17,633	21,625
Research and development expenses	19,913	14,479
	$ 38,556	$ 37,262

Actuarial losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 were $239,109 thousand and $187,790 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2013 and 2012 was $426,899 thousand and $187,790 thousand, respectively.

The amount included in the balance sheet in respect of the Company's obligation to its defined benefit plans was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 1,708,531	$ 1,588,487	$ 1,449,460
Fair value of plan assets	(174,178)	(301,822)	(359,301)
Net liability arising from defined benefit obligation	$ 1,534,353	$ 1,286,665	$ 1,090,159

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

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ 1,588,487	$ 1,449,460
Current service cost	22,663	22,994
Interest cost	21,842	21,742
Actuarial losses	236,309	183,389
Benefits paid	(160,770)	(89,098)
Balance at December 31	$ 1,708,531	$ 1,588,487

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

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ 301,822	$ 359,301
Expected return on plan assets	5,949	7,474
Actuarial losses	(2,800)	(4,401)
Contributions from the employer	29,977	28,546
Benefits paid	(160,770)	(89,098)
Balance at December 31	$ 174,178	$ 301,822

The major categories of plan assets at the end of the reporting period for each category were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Equity instruments	43.64%	38.29%	41.26%
Debt instruments	9.83%	11.00%	11.49%
Cash and short-term commercial paper	26.51%	33.84%	30.88%
Fixed income instruments	19.11%	16.06%	16.17%
Others	0.91%	0.81%	0.20%
	100.00%	100.00%	100.00%

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:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ (1,708,531)	$ (1,588,487)	$ (1,449,460)
Fair value of plan assets	$ 174,178	$ 301,822	$ 359,301
Deficit	$ (1,534,353)	$ (1,286,665)	$ (1,090,159)
Experience adjustments on plan liabilities	$ (323,666)	$ (183,389)	$ -
Experience adjustments on plan assets	$ (2,800)	$ (4,401)	$ -

The Company expects to make a contribution of $30,413 thousand and $30,832 thousand, respectively to the defined benefit plans during the annual period beginning after 2013 and 2012.

22. EQUITY

a. Capital stock

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized (in thousands)	4,500,000	4,500,000	4,500,000
Shares authorized	$ 45,000,000	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,944,137	2,943,185	2,924,147
Shares issued	$ 29,441,372	$ 29,431,849	$ 29,241,469

1) The Company's employee stock warrants were exercised for 19,038 thousand shares (amounted to $190,380 thousand) during 2012.

2) Furthermore, the Company's employee stock warrants were exercised for 952 thousand shares (amounted to $9,523 thousand) during 2013.

b. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Issuance of shares	$ 827,403	$ 817,690	$ 812,890
Arising from conversion of bonds	1,447,492	1,447,492	1,447,492
Acquisition or disposal of interest in subsidiaries	484,891	441,509	-
Arising from treasury share transactions	1,606,313	1,591,414	1,575,523
	$ 4,366,099	$ 4,298,105	$ 3,835,905

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds and treasury share transactions) 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). The capital surplus from long-term investments may not be used for any purpose.

c. Retained earnings and dividend policy

Under the Company Law of the ROC and the Company's Articles of Incorporation, the annual earnings should be appropriated as follows:

1) For paying tax,

2) For offsetting deficit,

3) 10% of the annual earnings as legal reserve,

4) Less than 3% as bonus to directors and supervisors after the items one to three above were appropriated,

5) 1%-5% as bonus to employees after the items one to four above were appropriated,

6) As special reserve or being retained partially, and

7) Dividends to stockholders as proposed according to stock ownership proportion.

8) For share bonus to qualified employees, including the employees of subsidiaries of the Company meeting specific requirements. Regarding the terms and proportion, the board of directors of the Company is authorized to resolve.

For the years ended December 31, 2013 and 2012, the bonus to employees was $142,211 thousand and $235,472 thousand, respectively, and the remuneration to directors and supervisors was $72,188 thousand and $119,529 thousand, respectively. The bonus to employees and remuneration to directors and supervisors both depended on the base amount determined according to the articles of incorporation. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the financial statements are authorized for issue, the differences are recorded 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 fair value of the shares. For the calculation of the number of shares in 2012 and 2011, the fair value of the shares refer to the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' 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 shall be transferred from unappropriated earnings to a special reserve. 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", a special reserve from unappropriated earnings shall be made.

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 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 shareholders, all shareholders 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 for 2012 and 2011 had been approved in the shareholders' meetings on June 14, 2013 and June 15, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2012	For Year 2011	For Year 2012	For Year 2011
Legal reserve	$ 1,015,634	$ 580,672	$ -	$ -
Special reserve	1,172,074	(155,417)	-	-
Cash dividends	4,416,205	3,824,166	1.50	1.30

Bonuses to employees and remuneration to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings were as follows:

	2013		2012	
	Cash Dividend	**Share Dividend**	**Cash Dividend**	**Share Dividend**
Bonus to employees	$ 235,472	$ -	$ 159,022	$ -
Directors and supervisors	119,529	-	80,722	-

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP"), 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.

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings in 2013 and 2012 and the amounts recognized in the financial statements for the years ended December 31, 2012 and 2011.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors 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's special reserves appropriated following the Rule No. 1010012865 issued by the FSC were as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Special reserve	$ 134,641	$ -	$ -

The Company appropriated to special reserve the amount of the unrealized revaluation increment transferred to retained earnings, which was $134,641 thousand.

e. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2013	**2012**
Balance at January 1	$ (1,843,619)	$ -
Share of other comprehensive income (loss) of subsidiaries and associates	1,864,395	(1,843,619)
Balance at December 31	$ 20,776	$ (1,843,619)

2) Unrealized gain or loss on available for sale assets

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ (176,725)	$ (906,495)
Unrealized gain on available for sale assets	469,074	440,534
Unrealized gain (loss) on available for sale assets of subsidiaries and associates	(9,493,172)	289,236
Balance at December 31	$ (9,200,823)	$ (176,725)

3) Cash flow hedge

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ (5,430)	$ (34,351)
Gain or loss arising on the changes in the fair value of hedge instruments - interest rate swaps	5,430	28,921
Balance at December 31	$ -	$ (5,430)

f. Treasury shares

The changes in treasury stock during 2013 and 2012 were summarized as follows:

	Beginning of Year	Addition	Reduction	End of Year
2012				
Shares held by subsidiaries	10,233,805	-	299,746	9,934,059
2013				
Shares held by subsidiaries	9,934,059	-	-	9,934,059

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held	Carrying Amount	Market Price
December 31, 2013			
Pou Shine	3,586,358	$ 68,161	$ 159,772
Barits Development	4,827,561	96,361	215,068
Song Ming	91,094	1,818	4,058
Pou Yii	1,615,313	25,415	71,962
		$ 191,755	$ 450,860

(Continued)

Name of Subsidiary	Number of Shares Held	Carrying Amount	Market Price
December 31, 2012			
Pou Shine	3,586,358	$ 68,161	$ 109,384
Barits Development	4,827,561	96,361	147,241
Song Ming	91,094	1,818	2,778
Pou Yii	1,615,313	25,415	49,267
		$ 191,755	$ 308,670
January 1, 2012			
Wealthplus	144,189	$ 3,181	$ 3,518
Pou Shine	2,049,982	40,919	50,020
Ming Wang	1,536,376	27,242	37,488
Barits Development	4,827,561	96,361	117,792
Top Score	156,187	3,311	3,811
Song Ming	91,094	1,818	2,223
Pou Yii	1,615,313	25,415	39,414
		$ 198,247	$ 254,266

(Concluded)

After Wealthplus Holdings Limited and Top Score Investments Limited resold the Company's common shares, 299,746 shares were deducted from treasury stock and the profit of $2,597 thousand was recognized as the capital surplus from treasury stock transactions.

The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

23. REVENUE

	For the Year Ended December 31	
	2013	2012
Revenue from the sale of goods	$ 10,777,519	$ 9,835,877
Revenue from the rendering of services	1,273,668	1,080,898
	$ 12,051,187	$ 10,916,775

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operations had been arrived at after charging (crediting):

a. Other income

	For the Year Ended December 31	
	2013	2012
Rental income (Note 31)		
Rental income from operating lease		
Investment properties	$ 156,945	$ 168,057
Other	4,418	734
	161,363	168,791
Interest income		
Saving account	19,562	2,661
Repurchase agreements collateralized by bonds	2,104	2,596
Other (Note 31)	-	213
	21,666	5,470
Dividend income	181,298	137,728
Other	84,427	62,143
	$ 448,754	$ 374,132

b. Other gains and losses

	For the Year Ended December 31	
	2013	2012
Net gain on disposal of property, plant and equipment	$ 19,903	$ 2,054
Gain on disposal of subsidiaries	178,531	1,145
Net foreign exchange gain (loss)	101,648	(45,482)
Net gain arising on financial assets designated as at FVTPL	16,212	1,561
Net gain (loss) arising on financial liabilities designated as at FVTPL	11,057	(11,001)
Impairment loss (Note 14)	-	(843,299)
Others	(59,450)	(60,314)
	$ 267,901	$ (955,336)

c. Finance costs

	For the Year Ended December 31	
	2013	2012
Interest on bank loans	$ 359,418	$ 328,190
Interest on short-term bills payable	-	1,956
Other interest expense	15,415	31,823
	$ 374,833	$ 361,969

d. Depreciation

	For the Year Ended December 31	
	2013	2012
Property, plant and equipment	$ 173,709	$ 204,048
Investment property	58,289	56,079
	$ 231,998	$ 260,127
An analysis of deprecation by function		
Operating costs	$ 16,663	$ 17,086
Operating expenses	157,046	186,962
Nonoperating expenses	58,289	56,079
	$ 231,998	$ 260,127

e. Direct cost directly associated with investment property

	For the Year Ended December 31	
	2013	2012
Depreciation expense	$ 75,219	$ 71,685

f. Employee benefits expense

	For the Year Ended December 31	
	2013	2012
Post-employment benefits		
Defined contribution plans	$ 55,425	$ 56,094
Defined benefit plans	38,556	37,262
	93,981	93,356
Termination benefits	27,964	15,848
Other employee benefits	1,532,225	1,577,176
Total employee benefits expense	$ 1,654,170	$ 1,686,380
An analysis of employee benefits expense by function		
Operating costs	$ 75,964	$ 106,630
Operating expenses	1,578,206	1,579,750
	$ 1,654,170	$ 1,686,380

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current period	$ 588,497	$ 616,016
Income tax expense of unappropriated earnings	355,242	155,730
	943,739	771,746
Adjustments for prior years	92,058	1,990
Deferred tax	24,395	39,065
Income tax expense recognized in profit or loss	$ 1,060,192	$ 812,801

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2013	2012
Profit before tax	$ 11,679,641	$ 11,030,490
Income tax expense calculated at the statutory rate	$ 1,985,539	$ 1,875,183
Adjustments for		
Tax-exempt income	(1,358,929)	(1,382,614)
Other	(38,113)	123,447
Income tax on unappropriated earnings	355,242	155,730
Current tax	943,739	771,746
Different tax	24,395	39,065
Adjustments of prior year's income tax	92,058	1,990
Income tax expense recognized in profit or loss	$ 1,060,192	$ 812,801

The applicable tax rate used by the Company is the corporate tax rate of 17%.

As the appropriations of earnings in 2014 were uncertain, the potential income tax consequences of 2013 unappropriated earnings were not reliably determinable.

b. Deferred tax assets and liabilities

The components of deferred income tax assets (liabilities) were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Deferred income assets			
Temporary differences			
Unrealized pension expenses	$ 118,257	$ 119,715	$ 114,734
Unrealized impairment loss	-	8,500	8,500
Other	5,818	12,648	7,956
	$ 124,075	$ 140,863	$ 131,190

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Deferred income tax liabilities			
Temporary differences			
Investment income from foreign subsidiaries	$ 506,684	$ 691,152	$ 469,090
Land value increment tax	86,547	86,547	86,547
	$ 593,231	$ 777,699	$ 555,637

(Concluded)

c. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	$ 221,425	$ 221,425	$ 221,425
Unappropriated earnings generated on and after January 1, 1998	23,779,118	20,013,192	14,308,540
	$ 24,000,543	$ 20,234,617	$ 14,529,965
Imputation credits accounts	$ 877,346	$ 598,636	$ 331,528

The creditable ratio for distribution of earnings of 2013 and 2012 was 8.85% (expected ratio) and 5.74%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credit allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credit allocated to shareholders of the Company was based on the balance of the 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 shareholders.

According to legal interpretation No. 201304562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs

d. Income tax assessments

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

26. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share in 2013 and 2012 were as follows:

	For the Year Ended December 31	
	2013	2012
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 10,619,449	$ 10,217,689
Weighted average number of shares outstanding (in thousand shares)		
Weighted average number of shares in computation of basic earnings per share	2,934,000	2,929,565
Effect of potential dilutive shares		
Employee stock warrants	61,220	40,660
Bonus to employee	10,901	7,720
	3,006,121	2,977,945
Earnings per share (in dollars)		
Basic earnings per share	$3.62	$3.49
Diluted earnings per share	$3.53	$3.43

The Company presumes that the entire amount of the bonus will be settled in shares and the potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

27. SHARE-BASED PAYMENT ARRANGEMENTS

As at July 15, 2002, the board of directors of the Company resolved to issue employee stock warrants in accordance with Securities and Exchange Law Article 28-3 within the quantity of 67,600 units. Each individual employee stock warrant is granted the right to purchase new issued common share for 1,000 shares. The exercise price is the closing price of common shares at the employee stock warrants' issuance date. The warrant holders can exercise the right up to one-third of the granted warrant units no earlier than two years from the granted date. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. As of August 6, 2002 and July 24, 2003, the Company has issued 66,600 units, and 1,000 units of employee stock warrants, respectively, to the employees with an exercise price of $23.30 and $41.20 per share, respectively. The exercise price of the warrant in 2012 has been retroactively restated as $10.00 and $14.80 per share, respectively. As at December 31, 2012, the employee stock warrants issued in 2002 were executed for 67,301 thousand shares of common stock. The unexecuted 299 units expired in August 2012.

Additionally, as at November 6, 2007, the Company has issued 125,500,000 units of employee stock warrants to the employees with an exercise price of $29.80 per share. Each of the aforementioned individual employee stock warrant is granted the right to purchase one newly issued common share. If the Company resolved to increase additional capital stock through stock dividends or issue of new shares, the exercise price will be retroactively restated. Additionally, the share of employee stock warrant granted but not exercised will also be adjusted. After the aforementioned adjustment, the exercise price and issued units of employee stock warrants were $19.20 and 148,440,178 units, respectively, as at December 31, 2013.

Information about outstanding stock warrants for the years ended December 31, 2013 and 2012 was as follows:

	2013		2012	
Employee Stock Warrants	**Number of Stock Purchasable (Thousand Shares)**	**Weighted-average Exercise Price (NT$)**	**Number of Stock Purchasable (Thousand Shares)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	149,393	$ 20.20	168,730	$ 20.03
Stock warrants exercised	(952)	20.20	(19,038)	10.25
Stock warrants expired	-	-	(299)	10.00
Balance at December 31	148,441	19.20	149,393	20.20
Exercisable stock warrants at December 31	148,441	19.20	149,393	20.20

As at December 31, 2013 and 2012, information about outstanding and exercisable stock warrants was as follows:

	Stock Warrants Outstanding			Stock Warrants Exercisable	
Range of Exercise Price (NT$)	**Number of Stock Purchasable (Thousand Shares)**	**Weighted-average Remaining Contractual Life (Years)**	**Weighted-average Exercise Price (NT$)**	**Number of Stock Purchasable (Thousand Shares)**	**Weighted-average Exercise Price (NT$)**
2013					
$19.20-$20.20	148,441	3.85	$ 19.20	148,441	$ 19.20
2012					
$10.00-$21.30	149,393	4.85	$ 20.20	149,393	$ 20.20

28. DISPOSAL OF SUBSIDIARIES

On August 30, 2013, the Company sold to non-related parties all of its 38,498 thousand shares (77% ownership) in LNC Technology Co., Ltd. at $14.72 per share; the total amount was $566,665 thousand; after deducting $1,700 thousand of income tax, profit of $178,531 thousand was recognized as gain on disposal of investments (please refer also to Note 34 to the consolidated financial statements for the year ended December 31, 2013).

29. CAPITAL MANAGEMENT

The Company's capital management policy is to ensure the Company has sufficient financial resource and operating plan to balance the working capital, capital expenditure, research and development expenditure, repayment of debt and dividends paid to shareholders within twelve months.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

Except as detailed in the following table, management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Debt investments with no active market	$ 902,341	$ 902,341	$ -	$ -	$ -	$ -
Financial assets measured at cost	60,000	-	60,000	-	60,000	-
Other loans and receivables	2,846,732	2,846,732	4,007,036	4,007,036	1,854,344	1,854,344
Financial liabilities						
Bank loans	23,290,484	23,290,484	22,551,599	22,551,599	20,699,777	20,699,777
Short-term bills payable	-	-	-	-	499,133	499,133
Financial liabilities measured at amortized cost	2,184,921	2,184,921	2,267,424	2,267,424	2,021,810	2,021,810

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 2 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Available-for-sale financial assets			
Domestic listed securities			
Equity investment	$ 4,473,233	$ 3,723,007	$ 3,282,473

b) 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.

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Financial assets at FVTPL			
Derivative financial instruments	$ 13,523	$ -	$ -

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Financial liabilities			
Financial liabilities at FVTPL			
Derivative financial instruments	$ 17,632	$ 28,809	$ 16,998
Derivative financial liabilities under hedge accounting			
Derivative financial instruments	-	5,430	34,351

(Concluded)

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

The fair values of financial assets and financial liabilities were determined as follows:

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 (includes listed bonds). Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument.

b) The fair values of derivative instruments were calculated using quoted prices. When such prices were not available, a valuation method was used and 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
Financial assets			
Fair value through profit or loss (FVTPL)			
Held for trading	$ 13,523	$ -	$ -
Loans and receivables (Note 1)	3,749,073	4,007,036	1,854,344
Available-for-sale financial assets	4,473,233	3,723,007	3,282,473
Financial assets carried at cost	60,000	60,000	60,000
Investment accounted for by the equity method	75,194,349	75,243,566	70,016,567
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	17,632	28,809	16,998
Derivative instruments in designated hedge accounting relationships	-	5,430	34,351
Amortized cost (Note 2)	25,475,405	24,819,023	23,220,720

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings short-term bills payable, notes payable, accounts payable, other payables, long-term loans and guarantee deposits received.

c. Financial instruments

The Company's major financial instruments included equity investments, loans, accounts receivable, accounts payable refundable deposits and guarantee deposits received. The Company's treasury function 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 exchange rate risk, interest rate risk, credit risk and liquidity risk.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing derivate instruments.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and the carrying amount of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

The following table details the Company's sensitivity to 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A positive (negative) number below indicates an increase (decrease) in pre-tax profit if New Taiwan dollars strengthened (weakened) 5% against the relevant currency.

	For the Year Ended December 31	
	2013	**2012**
USD	$ (91,072)	$ (163,460)
RMB	(83,157)	-

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.

The carrying amounts of the Company's 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**
Cash flow interest rate risk			
Financial assets	$ 23,290,484	$ 22,551,599	$ 21,198,910

Sensitivity analysis

The sensitivity analyses below were based on the Company's floating rate 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 1% increase in interest rate would cause the Company to increase its cash-out by $232,905 thousand and $225,516 thousand, respectively, during 2013 and 2012.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities and mutual funds. The investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Sensitivity analysis

If market rate declined by 1%, the fair value of the investments at December 31, 2013, December 31, 2012 and January 1, 2012 would have declined by $60,534 thousand, $50,668 thousand and $42,317 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The risk factors include centralization of credit, components, contract figure, and accounts receivable. The Company requires significant clients to provide guarantees or other rights to reduce credit risk of the Company effectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company had available unutilized short-term bank loan facilities set out in (c) below.

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

The following table details the Company's remaining contractual maturity for its 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.

December 31, 2013

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 747,376	$ 985,017	$ 434,131	$ -	$ -
Variable interest rate liabilities	1.39	-	-	6,320,000	17,000,000	-
		$ 747,376	$ 985,017	$ 6,754,131	$ 17,000,000	$ -

December 31, 2012

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 128,872	$ 1,660,295	$ 474,805	$ -	$ -
Variable interest rate liabilities	1.53	-	-	5,000,000	17,500,000	-
Financial guarantee contracts	-	-	-	-	-	7,500,000
		$ 128,872	$ 1,660,295	$ 5,474,805	$ 17,500,000	$ 7,500,000

January 1, 2012

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 185,504	$ 1,452,619	$ 380,235	$ -	$ -
Variable interest rate liabilities	1.40	-	-	4,250,000	17,000,000	-
Financial guarantee contracts	-	-	-	-	-	7,500,000
		$ 185,504	$ 1,452,619	$ 4,630,235	$ 17,000,000	$ 7,500,000

The amounts included above for variable interest rate instruments for 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 rate risk 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. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swaps contracts	$ -	$ -	$ 2,480	$ 15,152	$ -

December 31, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swaps contracts	$ -	$ -	$ 5,430	$ 26,240	$ -
Cross-currency swap contracts	-	-	2,569	-	-
	$ -	$ -	$ 7,999	$ 26,240	$ -

January 1, 2012

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swaps contracts	$ -	$ -	$ -	$ 50,841	$ -
Exchange rate option contracts	-	6	502	-	-
	$ -	$ 6	$ 502	$ 50,841	$ -

c) Financing facilities

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured bank facility, reviewed annually and payable at call:			
Amount used	$ 23,321,721	$ 22,589,670	$ 21,257,430
Amount unused	11,824,069	12,789,210	19,000,245
	$ 35,145,790	$ 35,378,880	$ 40,257,675

31. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

a. Sales of goods

Related Parties Types	For the Year Ended December 31 2013	2012
Subsidiaries	$ 11,512,212	$ 10,273,918
Associates	92,171	79,777
Others	60,717	133,871
	$ 11,665,100	$ 10,487,566

The price and collection terms for both related parties and unrelated parties are similar.

In April 1997, the Company entered into a technical service agreement with Yue Yuen. According to the agreement, the service fees that the Company will receive from Yue Yuen are determined by:

1) For products developed by the Company and sold by Yue Yuen, 0.5% of net sales invoice amounts.

2) For materials, machines and other goods purchased, inspected and arranged for shipment through the Company from Taiwan suppliers, 1% of supplier’s invoice amounts.

3) For materials, machines and other goods purchased from Taiwan or overseas directly by Yue Yuen through sourcing services provided by the Company, 0.5% of the supplier’s invoice amounts.

b. Purchases of goods

Related Parties Types	For the Year Ended December 31 2013	2012
Subsidiaries	$ 91,728	$ 221,400
Associates	872,520	853,572
	$ 964,248	$ 1,074,972

c. Rental income

Related Parties Types	For the Year Ended December 31 2013	2012
Subsidiaries	$ 141,014	$ 149,251
Associates	1,269	2,373
Others	1,294	1,293
	$ 143,577	$ 152,917

d. Receivables from related parties

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 1,420,713	$ 1,384,205	$ 1,231,606
Associates	4,940	11,644	11,744
Others	15,483	43,599	103,115
	$ 1,441,136	$ 1,439,448	$ 1,346,465

e. Payables to related parties

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 24,785	$ 15,339	$ 51,911
Associates	116,694	113,753	76,679
	$ 141,479	$ 129,092	$ 128,590

f. Financing to related parties

The Company’s financing to Right and Great Asia-Pacific in 2012 was as follows:

Other receivable

Related Parties Types	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ -	$ -	$ 17,000

Interest income

Related Parties Types	For the Year Ended December 31 2013	2012
Subsidiaries	$ -	$ 213

The Company provided loans to related parties at rates comparable to market interest rates.

g. Property guarantees

The Company has provided 820,000 thousand shares of Ruen Chen as collateral of the long-term loans of Ruen Chen as of December 31, 2012 and January 1, 2012. The maximum amount guaranteed by Pou Chen was set at $7,500,000 thousand.

h. Compensation of key management personnel

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

	For the Year Ended December 31 2013	2012
Short-term employee benefits	$ 107,791	$ 155,050
Post-employment benefits	1,803	1,739
	$ 109,594	$ 156,789

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Outstanding letters of credit of the Company at the end of reporting period were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
USD	$ 57,734	$ 79,740	$ 225,401

b. Per the request from FSC and other authorities, the Company guaranteed that the shares of Yue Yuen owned by its subsidiary, Wealthplus, for custody will not be disposed or pledged during the custody period from June 27, 2011 to June 27, 2021, in connection with the investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen.

c. As at December 31, 2013, the Company had guaranteed the payments of credit of related parties which amounted to $24,957,957 thousand as follows:

Related Parties	Amount for Subsidiaries
Wealthplus	$ 15,504,561
Barits Development	6,794,150
Pou Shine	1,500,000
Pou Yuen Technology	803,649
Pou Yii	350,000
Pou Yu Biotechnology	5,597
	$ 24,957,957

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

The significant financial assets and liabilities denominated in foreign currencies were as follows:

(Units: In Thousand of Foreign Currency/in Thousands of New Taiwan Dollars)

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 62,495	29.805	$ 1,862,651
RMB	340,806	4.889	1,666,198
Non-monetary items			
USD	454	29.805	13,523
Financial liabilities			
Monetary items			
USD	1,368	29.805	40,768

December 31, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 114,615	29.040	$ 3,328,415
Financial liabilities			
Monetary items			
USD	2,031	29.040	58,988
Non-monetary items			
USD	88	29.040	2,569

January 1, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 51,495	30.275	$ 1,559,003
Financial liabilities			
Monetary items			
USD	2,823	30.275	85,453
Non-monetary items			
USD	17	30.275	508

34. 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 follows:

a. Reconciliation of balance sheet as of January 1, 2012

ROC GAAP		Effect of Transition to the Regulations		The Regulations		
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	Note
Current assets					Current assets	
Cash and cash equivalents	$ 202,213	$ -	$ -	$ 202,213	Cash and cash equivalents	
Available-for-sale financial assets, current	3,282,473	-	-	3,282,473	Available-for-sale financial assets, current	
Notes and accounts receivable	93,399	-	-	93,399	Notes and accounts receivable	
Notes and accounts receivable from affiliates	1,346,465	-	-	1,346,465	Notes and accounts receivable from related parties	
Other receivables	202,489	-	-	202,489	Other receivables	
Inventories	175,754	-	-	175,754	Inventories	
Other current assets	26,702	-	-	26,702	Other assets, current	
Total current assets	5,329,495	-	-	5,329,495	Total current assets	
Funds and long-term investments					Noncurrent assets	
Financial assets carried at cost, noncurrent	60,000	-	-	60,000	Financial assets carried at cost, noncurrent	
Investments accounted for by the equity method	70,600,462	(31,055)	(552,840)	70,016,567	Investments accounted for by the equity method	2) a)
Investments in real estate	187,371	(187,371)	-	-	-	2) b)
Total funds and long-term investments	70,847,833	(218,426)	(552,840)	70,076,567		
Property, plant and equipment						
Land	949,640	312,457	-	1,262,097		2) c)
Buildings and improvements	3,771,650	43,500	-	3,815,150		
Machinery equipment	524,818	-	-	524,818		
Transportation equipment	220,998	-	-	220,998		
Furniture, fixtures and office equipment	359,766	-	-	359,766		
Other equipment	68,766	-	-	68,766		
Revaluation increment	282,244	(282,244)	-	-		
Cost and revaluation increment	6,177,882	73,713	-	6,251,595		
Less accumulated depreciation	(2,396,524)	-	-	(2,396,524)		
Prepayments for equipment	130	(130)	-	-		2) d)
Property, plant and equipment, net	3,781,488	73,583	-	3,855,071	Property, plant and equipment	
-	-	2,542,661	-	2,542,661	Investment property	2) b)
Other assets						
Leased-out assets	2,350,036	(2,350,036)	-	-	-	2) b)
Deferred charges	56,797	(56,797)	-	-	-	2) e)
Deferred income tax assets, noncurrent	123,466	7,724	-	131,190	Deferred income tax assets	2) f)
Others	92,212	(72,263)	-	19,949	Others	2) b)-2) e)
Total other assets	2,622,511	(2,471,372)	-	151,139		
Total	$ 82,581,327	$ (73,554)	$ (552,840)	$ 81,954,933	Total	

(Continued)

ROC GAAP		Effect of Transition to the Regulations		The Regulations		
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	Note
Current liabilities					Current liabilities	
Short-term loans	$ 3,750,000	$ -	$ -	$ 3,750,000	Short-term loans	
Short-term bills payable	499,133	-	-	499,133	Short-term bills payable	
Financial liabilities at fair value through profit or loss, current	16,998	-	-	16,998	Financial liabilities at fair value through profit or loss, current	
Hedging derivative liabilities, current	22,901	-	-	22,901	Hedging derivative liabilities, current	
Notes and accounts payable	1,086,645	-	-	1,086,645	Notes and accounts payable	
Notes and accounts payable to affiliates	128,590	-	-	128,590	Notes and accounts payable to related parties	
Income tax payable	456,917	-	-	456,917	Current tax liabilities	
Other payables	753,835	-	49,288	803,123	Other payables	2) g)
Deferred income tax liabilities, current	461,366	(461,366)	-	-	-	2) f)
Other current liabilities	23,057	-	-	23,057	Other liabilities, current	
Total current liabilities	7,199,442	(461,366)	49,288	6,787,364	Total current liabilities	
Long-term liabilities					Noncurrent liabilities	
Long-term debt	17,000,000	(50,223)	-	16,949,777	Long-term debt	2) e)
Hedging derivative liabilities, noncurrent	11,450	-	-	11,450	Hedging derivative liabilities, noncurrent	
Total long-term liabilities	17,011,450	(50,223)	-	16,961,227		
Reserve for land value increment tax	86,547	(86,547)	-	-	-	2) h)
Other liabilities						
Accrued pension cost	779,728	-	310,431	1,090,159	Accrued pension cost	2) i)
Deferred income tax liability, noncurrent	-	555,637	-	555,637	Deferred income tax liability	2) f) and 2) h)
Others	94,214	(31,055)	1,644	64,803	Other noncurrent, liabilities	2) a)
Total other liabilities	873,942	524,582	312,075	1,710,599		
Total liabilities	25,171,381	(73,554)	361,363	25,459,190	Total liabilities	
Stockholders' equity					Equity	
Capital stock	29,241,469	-	-	29,241,469	Capital stock	
Capital surplus					Capital surplus	
Additional paid-in capital of common stock	812,890	-	-	812,890	Additional paid-in capital of common stock	
Additional paid-in capital of bonds conversion	1,447,492	-	-	1,447,492	Additional paid-in capital of bonds conversion	
Treasury stock	1,575,523	-	-	1,575,523	Treasury stock	
Long-term equity investments	4,720,416	-	(4,720,416)	-	Acquisition or disposal of interest in subsidiaries	2) a)
Retained earnings	22,895,905	134,641	1,523,458	24,554,004	Retained earnings	1), 2) a) and 2) g)-2) j)
Other stockholders' equity					Other equity	
Cumulative translation adjustments	(2,154,982)	-	2,154,982	-	Exchange difference on translating foreign operations	2) j)
Net loss not recognized as pension cost	(114,235)	-	114,235	-	-	2) i)
Unrealized loss on financial instruments	(993,798)	-	52,952	(940,846)	Unrealized loss on available-for-sale financial instruments	2) a) and 2) k)
Unrealized revaluation increment	134,641	(134,641)	-	-	-	2) h)
Treasury stock	(155,375)	-	(39,414)	(194,789)	Treasury stock	2) k)
Total stockholders' equity	57,409,946	-	(914,203)	56,495,743	Total equity	
Total	$ 82,581,327	$ (73,554)	$ (552,840)	$ 81,954,933	Total	

(Concluded)

1) Special reserve at date of transition to IFRSs

   a) The total amount of cumulative translation adjustments and unrealized revaluation increments credited to retained earnings, or

   b) The Regulations net credit adjustments to retained earnings, whichever is lower, should be reclassified to special reserve. The Company reclassified to special reserve the amount of $134,641 thousand representing the unrealized revaluation increments of $134,641 thousand.

2) The descriptions of material reconciliation items on the Regulations transition from ROC GAAP as of January 1, 2012 were as follows:

   a) Adjustment to capital surplus

   Under ROC GAAP, if the investing company subscribes for additional shares of an investee at a percentage different from its existing ownership percentage that results in a decrease in the investing company's holding percentage in the investee, the resulting carrying amount of the investment in the investee differs from the amount of its share in the investee's equity. The investing company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to “capital surplus”. Under the Regulations, such transaction is deemed a disposal, and aforementioned difference is recognized in earnings accordingly.

On the date of transition to the Regulations, the capital surplus which does not qualify in the definition of the Regulations or Company Art should be adjusted.

Following the above rule, the adjustments decreased the investments accounted for by the equity method by $583,895 thousand, other liabilities by $29,411 thousand and capital surplus by $4,720,416 thousand, and increased retained earnings by $4,152,394 thousand and unrealized loss on financial instruments by $13,538 thousand.

b) The classification of investment property

Under ROC GAAP, the leased-out assets are classified as “property, plant and equipment” or “other assets”. Under the Regulations, property held by the owner to earn rentals, or for capital appreciation, or both is classified as “investment property”. Following the above rule, the Company reclassified to investment property the amount of $2,542,661 thousand consisting of investments in real estate of $187,371 thousand, leased-out assets of $2,350,036 thousand and other assets of $5,254 thousand.

c) The classification of land held by trustee

Under ROC GAAP, land held by trustee is recorded as “other assets”. Under the Regulations, land held by trustee should be recorded as “property, plant and equipment” according to their nature. Following the above rule, the amount reclassified from other assets to property, plant and equipment was $73,713 thousand.

d) The classification of prepayments for equipment

Under ROC GAAP, prepayments for equipment are classified under “property, plant and equipment”. Under the Regulations, prepayments for equipment are classified as “long-term prepayment” according to their nature. Following the above rule, the amount reclassified from property, plant and equipmen to long-term prepayment (recorded under “other assets”) was $130 thousand.

e) The classification of deferred charges

Under ROC GAAP, deferred charges are classified under “other assets”. Under the Regulations, deferred charges are classified as “prepayment” according to their nature. Following the above rule, adjustments decreased deferred charges by $56,797 thousand and long-term debts by $50,223 thousand, and increased long-term prepayment (recorded under “other assets”) by $6,574 thousand.

f) The classification of deferred tax assets and liabilities

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

Under ROC GAAP, if the available evidence indicates the probability that a portion or all of the deferred tax assets will not be realized, then an appropriate amount of valuation allowance should be provided. Under the Regulations, allowance for deferred tax asset is not allowed.

Following the above rule, deferred income tax asset, current increased by $7,724 thousand, deferred income tax liability, noncurrent by $469,090 thousand, and decreased deferred tax liabilities, current by $461,366 thousand.

g) Employee benefits - accumulating compensated absences

Under ROC GAAP, there was no accounting standard for accumulating compensated absences. Under the Regulations, accumulating compensated absences are recognized as salary expense attributing to services rendered by employees during that period. Following the above rule, payable for annual leave (recorded under "other payables") was adjusted for an increase of $49,288 thousand, and retained earnings was adjusted for a decrease of $49,288 thousand.

h) Revaluation of property, plant and equipment

Under ROC GAAP, the Company recorded land value increment to reflect the appraised value published by the government. Reserve for land value increment tax, payable upon sale of land, is presented under "reserve for land value increment tax". Under the Regulations, the Company elected to use ROC GAAP revaluation of some items of property as deemed cost, and the unrealized revaluation increment was deemed zero at the date of transition to the Regulations.

Following the above-mentioned rule, the Company reclassified to retained earnings the amount of $134,641 thousand, consisting of "unrealized revaluation increment" of $134,641 thousand. And adjustments to "reserve for land value increment tax", in the amount of $86,547 thousand was reclassified to "deferred income tax, noncurrent".

i) Employee benefits - pension cost

Under ROC GAAP, the Company had previously applied actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation. Under the Regulations, the above-mentioned unrecognized transition obligation should be recognized as deduction of retained earnings.

In addition, under ROC GAAP, the actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under the Regulations, the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur.

Under ROC GAAP, the excess of the accumulated benefit obligation over the pension plan assets at the balance sheet date would be recognized as minimum pension liability. On the date of transition to the Regulations, the above-mentioned minimum pension liability should be reversed.

Following the above-mentioned rule, the adjustments decreased net loss not recognized as pension cost by $114,235 thousand and accrued pension cost by $310,431 thousand, and increased retained earning by $424,666 thousand.

j) Cumulative translation adjustments

The Company's cumulative translation differences for all foreign operations were deemed zero at the date of transition to the Regulations, and the cumulative translation differences were recognized in retained earnings on that date. Following the above rule, the Company reclassified to retained earnings the amount of $2,154,982 thousand, consisting of cumulative translation adjustments of $2,154,982 thousand.

k) Treasury stock

Under ROC GAAP, if subsidiaries hold its parent`s stocks, the parent should account for the stocks as treasury stocks. In the first-time adoption of SFAS No. 30, the recorded cost of the stock is based on its carrying value as of January 1, 2012. Under the Regulations, the amounts of treasury stock should be recorded on the original cost of stock. Following the above rule, the adjustments increased treasury stocks by $39,414 thousand and unrealized gain or loss on financial instrument by $39,414 thousand.

b. Reconciliation of balance sheet as at December 31, 2012

ROC GAAP		Effect of Transition to the Regulations		The Regulations		
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	Note
Current assets					Current assets	
Cash and cash equivalents	$ 2,277,920	$ -	$ -	$ 2,277,920	Cash and cash equivalents	
Available-for-sale financial assets, current	3,723,007	-	-	3,723,007	Available-for-sale financial assets, current	
Notes and accounts receivable	112,196	-	-	112,196	Notes and accounts receivable	
Notes and accounts receivable from affiliates	1,439,448	-	-	1,439,448	Notes and accounts receivable from related parties	
Other receivables	167,596	-	-	167,596	Other receivables	
Inventories	150,447	-	-	150,447	Inventories	
Other current assets	34,042	-	-	34,042	Other assets, current	
Total current assets	7,904,656	-	-	7,904,656	Total current assets	
Funds and long-term investments					Noncurrent assets	
Financial assets carried at cost, noncurrent	60,000	-	-	60,000	Financial assets carried at cost, noncurrent	
Investments accounted for by the equity method	75,936,525	(31,766)	(661,193)	75,243,566	Investments accounted for by the equity method	2) a)
Investments in real estate	299,685	(299,685)	-	-	-	2) b)
Total funds and long-term investments	76,296,210	(331,451)	(661,193)	75,303,566		
Property, plant and equipment						
Land	993,087	312,458	-	1,305,545		2) c)
Buildings and improvements	3,643,484	43,760	-	3,687,244		
Machinery equipment	508,220	-	-	508,220		
Transportation equipment	224,129	-	-	224,129		
Furniture, fixtures and office equipment	352,060	-	-	352,060		
Other equipment	70,067	-	-	70,067		
Revaluation increment	282,505	(282,505)	-	-		
Cost and revaluation increment	6,073,552	73,713	-	6,147,265		
Less accumulated depreciation	(2,423,189)	-	-	(2,423,189)		
Property, plant and equipment, net	3,650,363	73,713	-	3,724,076	Property, plant and equipment	
	-	2,682,419	-	2,682,419	Investment property	2) b)
Other assets						
Leased-out assets	2,377,526	(2,377,526)	-	-	-	2) b)
Deferred charges	40,874	(40,874)	-	-	-	2) d)
Deferred income tax assets, noncurrent	128,438	12,425	-	140,863	Deferred income tax assets	2) e)
Others	88,797	(73,613)	-	15,184	Other assets, noncurrent	2) b)-2) d)
Total other assets	2,635,635	(2,479,588)	-	156,047		
Total	$ 90,486,864	$ (54,907)	$ (661,193)	$ 89,770,764	Total	
Current liabilities					Current liabilities	
Short-term loans	$ 87,165	$ -	$ -	$ 87,165	Short-term loans	
Financial liabilities at fair value through profit or loss, current	28,809	-	-	28,809	Financial liabilities at fair value through profit or loss, current	
Hedging derivative liabilities, current	5,430	-	-	5,430	Hedging derivative liabilities, current	
Notes and accounts payable	1,159,038	-	-	1,159,038	Notes and accounts payable	
Notes and accounts payable to affiliates	129,092	-	-	129,092	Notes and accounts payable to affiliates	
Income tax payable	597,872	-	-	597,872	Current income liabilities	
Other payables	923,511	-	52,331	975,842	Other payables	2) f)
Current portion of long-term liabilities	5,000,000	-	-	5,000,000	Current portion of long-term liabilities	
Deferred income tax liabilities, current	678,727	(678,727)	-	-	-	2) e)
Other current liabilities	33,990	-	-	33,990	Other liabilities, current	
Total current liabilities	8,643,634	(678,727)	52,331	8,017,238	Total current liabilities	

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to the Regulations: Presentation Difference	Effect of Transition to the Regulations: Recognition and Measurement Difference	The Regulations Amount	The Regulations Item	Note
Long-term liabilities					Noncurrent liabilities	
Long-term debt	$ 17,500,000	$ (35,566)	$ -	$ 17,464,434	Long-term debt	2) d)
Total long-term liabilities	17,500,000	(35,566)	-	17,464,434		
Reserve for land value increment tax	86,547	(86,547)	-	-	-	2) g)
Other liabilities						
Accrued pension cost	954,581	-	332,084	1,286,665	Accrued pension cost	2) h)
-	-	777,699	-	777,699	Deferred income tax liability	2) e) and 2) g)
Others	55,629	(31,766)	1,502	25,365	Others liabilities, noncurrent	2) a)
Total other liabilities	1,010,210	745,933	333,586	2,089,729		
Total liabilities	27,240,391	(54,907)	385,917	27,571,401	Total liabilities	
Stockholders' equity					Equity	
Capital stock	29,431,849	-	-	29,431,849	Capital stock	
Capital Surplus					Capital Surplus	
Additional paid-in capital of common stock	817,690	-	-	817,690	Additional paid-in capital of common stock	
Additional paid-in capital of bonds conversion	1,447,492	-	-	1,447,492	Additional paid-in capital of bonds conversion	
Treasury stock	1,591,414	-	-	1,591,414	Treasury stock	
Long-term equity investments	5,183,852	-	(4,742,343)	441,509	Acquisition or disposal of interest in subsidiaries	2) a)
Retained earnings	29,228,074	134,641	1,321,196	30,683,911	Retained earnings	1), 2) a) and 2) f)-2) h)
Other stockholders' equity					Other equity	
Cumulative translation adjustments	(4,001,864)	-	2,158,245	(1,843,619)	Exchange difference on translating foreign operations	2) a) and 2) i)
Net loss not recognized as pension cost	(259,786)	-	259,786	-	-	2) h)
Unrealized loss on financial instruments	(173,440)	-	(8,715)	(182,155)	Unrealized loss on available-for-sale financial instruments	2) a) and 2) a) j)
Unrealized revaluation increment	134,641	(134,641)	-	-	-	2) g)
Treasury stock	(153,449)	-	(35,279)	(188,728)	Treasury stock	2) j)
Total stockholders' equity	63,246,473	-	(1,047,110)	62,199,363	Total equity	
Total	$ 90,486,864	$ (54,907)	$ (661,193)	$ 89,770,764	Total	

(Concluded)

c. Reconciliation of the income statement for the year ended December 31, 2012

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to the Regulations: Presentation Difference	Effect of Transition to the Regulations: Recognition and Measurement Difference	The Regulations Amount	The Regulations Item	Note
Sales revenues	$ 10,916,775	$ -	$ -	$ 10,916,775	Operating sales	
Cost of goods sold	8,066,394	-	-	8,066,394	Operating cost	
Gross profit	2,850,381	-	-	2,850,381	Gross profit	
Unrealized gross profit from inter-affiliate transactions	(710)	-	-	(710)	Unrealized gain on transactions with subsidiaries	
Realized gross profit	2,849,671	-	-	2,849,671	Realized gross profit	
Operating expenses					Operating expenses	
Selling expenses	98,484	-	-	98,484	Selling expenses	
General and administrative expenses	1,710,942	(600)	(17,543)	1,692,799	General and administrative expenses	2) f) and 2) h)
Research and development expenses	942,833	-	-	942,833	Research and development expenses	
Total operating expenses	2,752,259	(600)	(17,543)	2,734,116	Total operating expenses	
Income from operations	97,412	600	17,543	115,555	Income from operations	
Non-operating income					Non-operating income	
Interest income	5,470	-	-	5,470	Interest income	
Investment income recognized under equity method	11,814,297	-	43,811	11,858,108	Share of profit of subsidiaries and associates	2) a)
Dividend income	137,728	-	-	137,728	Dividend income	
Gain on disposal of property, plant and equipment	4,540	-	-	4,540	Gain on disposal of property, plant and equipment	
Gain on disposal of investments	1,145	-	-	1,145	Gain on disposal of subsidiaries	
Valuation gain on financial assets	1,561	-	-	1,561	Net gain arising on financial assets designed at FVTPL	
Others	231,534	(600)	-	230,934	Others	
Total non-operating income	12,196,275	(600)	43,811	12,239,486	Total non-operating income	
Non-operating expenses					Non-operating expenses	
Interest expense	361,969	-	-	361,969	Interest expense	
Loss on disposal of property, plant and equipment	2,486	-	-	2,486	Loss on disposal of property, plant and equipment	
Exchange loss	45,482	-	-	45,482	Net foreign exchange loss	
Impairment loss	843,299	-	-	843,299	Impairment loss	
Valuation loss on financial liabilities	11,001	-	-	11,001	Net loss arising on financial liabilities designated as FVTPL	
Others	60,314	-	-	60,314	Others	
Total non-operating expenses	1,324,551	-	-	1,324,551	Total non-operating expenses	

(Continued)

ROC GAAP		Effect of Transition to the Regulations		The Regulations		
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	Note
Income before income tax	$ 10,969,136	$ -	$ 61,354	$ 11,030,490	Income before income tax	
Income tax expense	(812,801)	-	-	(812,801)	Income tax expense	
Net income	$ 10,156,335	$ -	$ 61,354	10,217,689	Net income	
				440,534	Unrealized gain on available-for-sale financial assets	
				28,921	Cash flow hedges	
				(187,790)	Actuarial loss arising from defined benefit plans	2) h)
				(1,630,209)	Share of other comprehensive loss of associates	
				$ 8,869,145	Total comprehensive income	

(Concluded)

1) Special reserve at date of transition to IFRSs

   a) The total amount of cumulative translation adjustments and unrealized revaluation increments credited to retained earnings, or

   b) The Regulations net credit adjustments to retained earnings, whichever is lower, should be reclassified to special reserve. The Company reclassified to special reserve the amount of $134,641 thousand representing the unrealized revaluation increments of $134,641 thousand.

2) The descriptions of material reconciliation items on the Regulations transition as of December 31, 2012, were as follow:

   a) Adjustment to capital surplus

      Under ROC GAAP, if the investing company subscribes for additional shares of an investee at a percentage different from its existing ownership percentage that results in a decrease in the investing company's holding percentage in the investee, the resulting carrying amount of the investment in the investee differs from the amount of its share in the investee's equity. The investing company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to "capital surplus". Under the Regulations, such transaction is deemed a disposal, and aforementioned difference is recognized in earnings accordingly.

      On the date of transition to the Regulations, the capital surplus which does not qualify in the definition of the Regulations or Company Art should be adjusted.

      Following the above rule, the adjustments decreased the investments accounted for by the equity method by $583,895 thousand, other liabilities by $29,411 thousand and capital surplus by $4,720,416 thousand, and increased retained earnings by $4,152,394 thousand unrealized loss on financial instruments by $13,538 thousand.

      As of December 31, 2012 the Regularions adjustments increased investment income recognized under equity method by $43,811 thousand, cumulative translation adjustments by $3,263 thousand, and decreased the investments accounted for by the equity method by $109,064 thousand, capital surplus by $21,927 thousand, unrealized gain or loss on available-for-sale financial assets by $57,532 thousand, other liabilities by $853 thousand and retained earnings by $75,826 thousand.

b) The classification of investment property

Under ROC GAAP, the leased-out assets are classified as “property, plant and equipment” or “other assets”. Under the Regulations, property held by the owner to earn rentals, or for capital appreciation, or both is classified as “investment property”. Following the above rule, the Company reclassified to investment property the amount of $2,682,419 thousand consisting of investments in real estate of $299,685 thousand, leased-out assets of $2,377,526 thousand and other assets of $5,208 thousand.

c) The classification of land held by trustee

Under ROC GAAP, land held by trustee is recorded as “other assets”. Under the Regulations, land held by trustee should be recorded as “property, plant and equipment” according to their nature. Following the above rule, the amount reclassified from other assets to property, plant and equipment was $73,713 thousand.

d) The classification of deferred charges

Under ROC GAAP, deferred charges are classified under “other assets”. Under the Regulations, deferred charges are classified as “prepayment” according to their nature. Following the above rule, adjustments decreased deferred charges by $40,874 thousand and long-term debts by $35,556 thousand, and increased long-term prepayment (recorded under “other assets”) by $5,308 thousand.

e) The classification of deferred tax assets and liabilities

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

Under ROC GAAP, if the available evidence indicates the probability that a portion or all of the deferred tax assets will not be realized, then an appropriate amount of valuation allowance should be provided. Under the Regulations, allowance for deferred tax asset is not allowed.

Following the above rule, deferred income tax asset, noncurrent increased by $12,425 thousand, deferred income tax liability, noncurrent by $691,152 thousand, and decreased by deferred tax liabilities, current $678,727 thousand.

f) Employee benefits - accumulating compensated absences

Under ROC GAAP, there was no accounting standard for accumulating compensated absences. Under the Regulations, accumulating compensated absences are recognized as salary expense attributing to services rendered by employees during that period. Following the above rule, payable for annual leave (recorded under “other payables”) was adjusted for an increase of $49,288 thousand, retained earnings was adjusted for a decrease of $49,288 thousand.

For the year ended December 31, 2012, payable and annual leave and general and administrative expenses were increased by $3,043 thousand, respectively.

g) Revaluation of property, plant and equipment

Under ROC GAAP, the Company recorded land value increment to reflect the appraised value published by the government. Reserve for land value increment tax, payable upon sale of land, is presented under “reserve for land value increment tax”. Under the Regulations, the Company elected to use ROC GAAP revaluation of some items of property as deemed cost, and the unrealized revaluation increment was deemed zero at the date of transition to the Regulations.

Following the above-mentioned rule, the Company reclassified to retained earnings the amount of $134,641 thousand, consisting of “unrealized revaluation increment” of $134,641 thousand. And adjustments to “reserve for land value increment tax”, in the amount of $86,547 thousand was reclassified to “deferred income tax, noncurrent”.

h) Employee benefits - pension cost

Under ROC GAAP, the Company had previously applied actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation. Under the Regulations, the above-mentioned unrecognized transition obligation should be recognized as deduction of retained earnings.

In addition, under ROC GAAP, the actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under the Regulations, the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur.

Under ROC GAAP, the excess of the accumulated benefit obligation over the pension plan assets at the balance sheet date would be recognized as minimum pension liability. On the date of transition to the Regulations, the above-mentioned minimum pension liability should be reversed.

Following the above-mentioned rule, the adjustments decreased net loss not recognized as pension cost by $114,235 thousand and accrued pension cost by $310,431 thousand, and increased retained earning by $424,666 thousand

i) Cumulative translation adjustments

The Company’s cumulative translation differences for all foreign operations were deemed zero at the date of transition to the Regulations, and the cumulative translation differences were recognized in retained earnings on that date. Following the above rule, the Company reclassified to retained earnings the amount of $2,154,982 thousand, consisting of cumulative translation adjustments of $2,154,982 thousand.

j) Treasury stock

Under ROC GAAP, if subsidiaries hold its parent’s stocks, the parent should account for the stocks as treasury stocks. In the first-time adoption of SFAS No. 30, the recorded cost of the stock is based on its carrying value as of January 1, 2012. Under the Regulations, the amounts of treasury stock should be recorded on the original cost of stock. Following the above rule, the IFRS-adoption adjustments increased treasury stocks by $39,414 thousand and unrealized gain or loss on financial instrument by $39,414 thousand.

d. 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) Business combinations

      The Company elected not to apply IFRS 3 “Business Combinations” retrospectively to past business combinations (i.e., those occurred before January 1, 2012). Thus, goodwill, other assets, liabilities and noncontrolling interests related to past business combinations were recorded in accordance with previous GAAP. This exemption was also applied to the investments in associates.

   2) Deemed costs

      The Company elected to use ROC GAAP revaluation of some items of property at the date of transition to the Regulations as deemed cost at the date of the revaluation. The Company used the cost model on the subsequent measurement of other property, plant and equipment and intangible assets and adopted related requirements retrospectively.

   3) Employee benefits

      The Company elected to recognize all cumulative actuarial gains and losses in retained earnings at the date of transition to the Regulations.

   4) Cumulative translation differences

      The Company’s cumulative translation differences for all foreign operations were deemed zero at the date of transition to the Regulations, and the cumulative translation differences were recognized in retained earnings on that date.

e. Explanation of material adjustments to the statement of cash flows.

   1) The Company increased its interest in Pou Yuen Technology Co., Ltd., LNC Technology Co., Ltd. and Right and Great Asia-Pacific Realty Development Co., Ltd., in the amount of $231 thousand, $167 thousand and $324,000 thousand, respectively. Under ROC GAAP, the cash flows were classified as investing activities. Under the Regulations, the resulting cash flows were classified as financing activities.

   2) 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 the Regulations, 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 of $5,484 thousand and $3,385,885 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 the Regulations in the statement of cash flows.